RELIANCE GENERAL INSURANCE COMPANY LIMITED

Remuneration Policy
For
Directors and
MD/ CEO/ WTD
(V.1.0)

I. Preamble

This Remuneration Policy for Non Executive Directors (NED's) and Managing Director (MD)/ Chief Executive Officer (CEO)/ Whole Time Directors (WTD's) of Reliance General Insurance Company Limited ("RGICL" or "the Company") has been formulated in terms of the provision of the Companies Act 2013 and Guidelines on Remuneration of Non Executive Directors/ Managing Director/ Chief Executive Officer/ Whole Time Directors of Insurers dated August 5, 2016 issued by Insurance Regulatory and Development Authority of India ("IRDAI" or the Authority").

Pursuant to the provisions of Section 178 of the Companies Act, 2013 (the Act) and subject to IRDA approval under Section 34(A)(1) of the Insurance Act, 1938, the Board Nomination and Remuneration Committee ("NRC" or "the Committee") of the Company have approved the framework for remuneration paid to the NED's and MD/ CEO/ WTD.

II. Objective

The overall objective of this Policy is

a). to attract, motivate and retain qualified members of the Board of Directors;

b). to review and approve corporate goals/objectives relevant to the compensation of CEO;

c). to evaluate the CEO's performance in light of those goals and objectives, and either as a committee or together with other independent directors (as directed by the Board), determine and approve the CEO's compensation level based on the evaluation;

d). to make recommendations to the Board or the Committee with respect to the NED's compensation and incentive- compensation and/ or equity based plans that are subject to approvals.

The remuneration shall be designed to create a suitable alignment of the interests of the Board of Directors with the interests of the Company and its shareholders, to support the achievement of strategic long and short-term goals of RGICL as well as to promote value creation for the benefit of the shareholders.

In extraordinary circumstances, the Board of Directors may decide to deviate from the specific requirements of the Remuneration Policy on an individual basis in order to attain the overall objectives of the Company and/ or the policy. In such case the Board of Directors must explain the reason for such deviation at the first general meeting where the explanation is not in contravention with the interests of RGICL.

III. Remuneration Policy for NED's

The remuneration/ compensation / commission etc. to NED's will be determined by the Committee and recommended to the Board for approval.

Increment to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the shareholders subject to the limits u/s 197 (not exceeding 1% of the profits of the Company) of Companies Act, 2013.

Additional fees/ compensation are payable by reference to other Board responsibilities taken on by the Non-Executive Directors (for example membership and chairmanship of the Board committees). Such additional fees/ compensation shall be determined by the Board or the Committee after consideration of exact scope and workload related to such responsibility.

The independent NED shall not be entitled to any stock option of the company and shall also not be eligible to participate in any share based payment schemes of the Company.

Any remuneration paid to NED / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of this policy if the following conditions are satisfied:

a) The Services are rendered by such Director in his capacity as a professional; and
b) In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

RGICL may pay sitting fees to the Non-Executive Directors (Independent Directors) and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.

IV. Remuneration Policy for MD/ CEO/ WTD

The Remuneration/ Commission etc. to be paid to MD/ CEO/ WTD shall be governed

1. u/s 34A of Insurance Act, 1938;
2. 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.

Increment to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the shareholders subject to prior approval of IRDAI and the provisions of Companies Act, 2013.

The remuneration structure for MD/ CEO/ WTD to this policy is subject to revision from time to time, depending on individual contribution, the company's performance and provisions of Companies Act, 2013 and rules framed there-under.

Scheme to provide loans/ deposits to MD/ CEO/ WTD

The company may also grant an interest-free/ subsidised loan/ deposit / advance to secure a house/ accommodation to MD/ CEO/ WTD as a part of remuneration package subject to an overall limit of Value of such perquisite (interest free / subsidised loan / deposit/ advance) being less than 50% of total remuneration. Alternatively, the company may also provide an accommodation to MD/

CEO/ WTD as a part of remuneration package.

<u>Risk Adjusted Deferred Variable Compensation Regime / Methodology</u>

The company adopts an *<u>ex-post</u>* risk adjusted variable compensation pay regime [Source: Basel Committee on Banking Supervision in its consultative document entitled “Range of Methodologies for Risk and Performance Alignment of Remuneration] comprising of:-

1. deferral period of three years with yearly spreading
2. an explicit re-evaluation of risks by the Committee and recommendation to the Board prior to vesting
3. an *<u>implicit ex-post adjustment</u>* in compensation (already accrued and awarded) on account of market/ predetermined factors
4. a claw back, if warranted

<u>Variable Pay Composition and Claw-back</u>

Total pay is defined to include total remuneration payable to MD/ CEO/ WTD for a Financial Year. **‘Substantial’ portion of Total Pay for the purpose of this policy means where the variable pay constitutes more than 75% of total remuneration paid during the financial year.** In such an event, 40% of the variable pay will be deferred for a period of 3 years. Employee Stock Option Plan (ESOP) may be excluded from the components of variable pay.

While the Committee and/ or the Board retains discretion to adjust bonus payments to MD/ CEO/ WTD to reflect the overall performance of the company, **the exact measures and associated weighting will be determined on an annual basis, according to the Company’s strategic priorities and will form part of this policy.**

The Variable Pay is based on achievement of Company’s key quantitative financial, operational and strategic measures in the year and any deterioration in financial performance of the Company shall lead to contraction in total amount of variable pay.

Remuneration payable under deferral arrangements shall vest no faster than on pro-rata basis. In the event of any negative trend in the performance parameters as specified in any year during the vesting period, any unvested/ unpaid portions shall be clawed back after due consideration of the actual/ realized performance of the Company.

<u>The claw-back clause shall form part of the conditions governing the appointment of MD/ CEO/ WTD.</u>
Minimum parameters for the determination of Variable pay components are as below:-

a) Solvency
b) Grievance Redressal
c) Expenses of Management
d) Claim Settlement
e) Claim Repudiations
f) Overall Compliance Status
g) Overall financial position such as Net Worth Position, Asset under Management (AUM) etc.

ESOP

The shares of the promoter/ group/ associate companies offered as ESOPs to the CEO/ MD/ Principal Officer of the insurance company shall be governed by the provisions SEBI (Issue of Sweat Equity) Regulations, 2002.

The provision of SEBI (Issue of Sweat Equity) Regulations, 2002 except those relating to pricing of the shares shall also be applicable in case:-

1. If the CEO/ MD/ WTD is one of the promoters/ investors or directly related to the promoters or;
2. where the shares of RGICL are offered as ESOPs to the CEO/ MD/ Principal Officer

The manner of pricing of shares shall be disclosed upfront to the Regulatory Authority (IRDAI).

Guaranteed Bonus

Guaranteed Bonuses are not consistent with sound risk management or the pay-for performance principles and should not be a part of remuneration plan.

However, in case such guarantees are built in, payment thereof shall be in the form of ESOPs only.

Severance Pay

Subject to provisions of Section 202 of Companies Act 2013, severance pay to MD/ CEO/ WTD shall be constituted by accrued benefits (i.e. gratuity, pension, deferred variable pay etc.) only and does not include notice period pay.

Additional compensation of any nature other than referred above shall require prior approval of the Board.

V. Disclosures of Remuneration

The following disclosures are mandated in the Annual Report:

A. Qualitative:
   1. Information relating to the design and structure of remuneration processes and the key features and objective of remuneration policy.
   2. Description of the ways in which current and future risks are taken into account in the remuneration processes.
   3. Description of the ways in which the insurer seeks to link performance during a performance measurement period with levels of remuneration.

B. Quantitative:
   1. Number of MD/ CEO/ WTDs having received a variable remuneration award during a financial year.
   2. Number and total amount of sign on awards made during the financial year.
   3. Details of guaranteed bonus, if any, paid as signing/ joining bonus
   4. Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.
   5. Total amount of deferred remuneration paid out in the financial year.
   6. Break up of amount of remuneration awarded for the financial year to show fixed and variable, deferred and non-deferred.

VI. Accounting and renewal of remuneration

No quantitative revision in remuneration shall be permitted till the expiry of one year from the date of earlier approval. However, the Board of Directors on its own and / or as per the recommendations of NRC can amend this Policy on qualitative aspects (namely performance criteria's, targets etc.), as and when deemed fit.

In case the annual remuneration of the MD/ CEO/ WTDs exceed Rs 1.50 crore (including all perquisites plus bonuses etc, by whatsoever names), such excess shall be borne by the Shareholders' account.

No remuneration shall be paid to the MD/ CEO/ WTDs by any of the promoter/ investor or by the group companies of the promoters'/investors' companies.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities (IRDAI, MCA etc.), not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification, circular(s) etc.

VII. Review of the Policy

The Remuneration Policy, the Incentive Guidelines and any changes thereto shall be subject to annual review by NRC.

The recommendations of NRC, if any, shall be adopted by the Board of Directors and approved in the general meeting.