

HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

**REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND
SENIOR MANAGEMENT AND OTHER EMPLOYEES**

Created by	Secretarial								
Concurred by	-								
Review Period	Annual								
Version	Version 1.0	Version 1.1	Version 1.2	Version 1.3	Version 1.4	Version 1.5	Version 1.6	Version 1.7	Version 1.8
Approved by Board of Directors on	August 18, 2017	January 24, 2018	May 3, 2019	May 8, 2020	January 21, 2021	January 25, 2022	January 25, 2023	April 27, 2023	July 27, 2023
Effective From	August 18, 2017	January 24, 2018	May 3, 2019	May 8, 2020	January 21, 2021	January 25, 2022	January 25, 2023	April 27, 2023	July 03, 2023
Version	Version 1.9	Version 2.0	Version 2.1						
Approved by Board of Directors on	January 16, 2025	January 13, 2026	July 13, 2026						
Effective From	January 16, 2025	January 13, 2026	July 13, 2026						

Sr. No.	Index	Page No.
1	Preamble	3
2	Applicability	3
3	Remuneration of Non-executive / Independent Directors	4
4	Remuneration to MD/CEO/Whole-Time Directors	4
5	Remuneration of Members of Senior Management, KMP (other than Whole-Time Directors) and other employees	7
6	Disclosures in the Board's Report	9
7	Policy Review	9

REMUNERATION POLICY FOR THE DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT AND OTHER EMPLOYEES

1. Preamble

The primary objective of this Remuneration Policy is to provide a framework for the remuneration of the Executive and Non-Executive Directors (including Independent Directors), Key Managerial Personnel (KMP), Members of Senior Management and other employees of the Company.

In terms of Section 178 of the Companies Act, 2013 (Act) read with rules framed thereunder, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('LODR Regulations'), IRDAI (Corporate Governance for Insurers) Regulations, 2024 and Master Circular on Corporate Governance for insurers, 2024 (together IRDAI CG Regulations), the Nomination and Remuneration Committee ('NRC') of Directors of the Company (NRC) had formulated and recommended this Policy for the approval of the Board of Directors of the Company. This Policy was recommended by NRC and approved by the Board of Directors.

The objectives of this Policy are as under:

- a) To ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent, at all levels and keep them motivated enough to meet the organizational objectives.
- b) To ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component).
- c) To have performance measurement parameters in place to assess the overall performance of Directors, KMPs, person/members of Senior Management and other employees.
- d) The remuneration of Whole-Time Directors including Managing Director & CEO, shall be fixed keeping in perspective the various risks including their time horizon and such that remuneration reflects the performance of the Company measured against performance objectives including risk outcomes.

2. Applicability

This Policy shall be applicable and act as a guiding principle with regard to remuneration payable by the Company to all Executive and Non-Executive Directors (including Independent Directors), KMPs, persons/members of Senior Management and other employees of the Company as may be specified by NRC.

3. Remuneration of Non-executive / Independent Directors

- 3.1 The key elements of remuneration of Non-executive/ Independent Directors are commission and sitting fees, subject to overall limit as prescribed in the Act and rules made there under and the IRDAI CG Regulations, as amended from time to time and subject to the approval of the Shareholders, as applicable. They shall be covered under the Directors and Officers Liability Insurance (D&O) Policy. The Non-Executive Directors shall not be entitled for the stock options or any share-linked benefits. Resident Directors (including past Directors) shall be eligible to be covered under the Group Medical Insurance Policy (GMC) subject to recovery of premium, wherever applicable.
- 3.2 The amount of sitting fees and commission payable to the non-executive directors, including Chairman, shall be as recommended by the NRC and / or approved by the Board, from time to time. The same shall be subject to requisite approvals, if any.

4. Remuneration to MD/CEO/Whole-Time Directors

- 4.1 The Whole-Time Directors are appointed on a contractual basis for a fixed tenure as approved by the Insurance Regulatory and Development Authority of India (IRDAI) and Shareholders and such contracts are renewable upon expiry of the tenure subject to recommendation by the NRC/ Board and approval of the IRDAI and Shareholders
- 4.2 The remuneration payable to Whole-Time Directors shall be recommended by NRC and approved by the Board subject to the approval of the IRDAI under the provisions of Section 34A of the Insurance Act, 1938, as amended and the Shareholders of the Company under the provisions of the Act and may include base salary, House Rent Allowance, Conveyance Allowance, Perquisites, Variable pay, Other Allowance and Benefits, and Stock options and such other elements / allowances as may be recommended by NRC and approved by Board from time to time.
- 4.3 The Whole-time Directors shall be covered under the D&O Policy.
- 4.4 The annual increments and stock options granted, if any shall be linked to the overall performance of the Company and other parameters as stipulated under IRDAI CG Regulations, as amended from time to time, duly recommended by NRC and approved by Board and subject to the approval of the IRDAI.
- 4.5 The remuneration structure of WTDs shall mainly comprise of the following elements:

- a) Fixed pay – which may comprise of basic salary and, allowances perquisites and benefits, such as house rent allowance, conveyance allowance, special allowance, retiral benefits like provident fund, gratuity and superannuation. The amount of fixed pay shall be reasonable, considering the Company's overall business performance and the industry remuneration scales.

Joining/sign-on bonus will neither be considered as part of fixed pay nor as part of variable pay and should be limited to the first year

Further the Company shall not grant Severance Pay other than accrued benefits like gratuity, pension, etc., to WTDs and KMPS, as prescribed under IRDAI CG Regulations, except in cases where it is mandatory under any applicable provision of the statute. Severance Pay does not include notice period pay

- b) Variable Pay – which comprise of variable pay in cash and non cash that includes stock option instruments such as employee stock options under the company's employee stock option plan (ESOP). 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 share-linked instruments. The same limit would be 70%, in case the variable pay is above 200% of the fixed pay. These limits shall vary, in accordance with the norms prescribed pursuant to IRDAI CG Regulations or any other similar norms prescribed by IRDAI. In terms of the IRDAI CG Regulations, Variable Pay shall attract deferral, malus and claw back provisions as detailed hereunder.

Where variable pay is mix of cash and share linked instruments, cash component may be deferred in accordance with the requirements prescribed by IRDAI.

- c) ESOPs - The NRC may consider grant of stock options in accordance with and within the limits stipulated under Employees Stock Option Plan – 2009 approved by the Shareholders. Further, the issue of ESOP shall be governed by the provisions of the Act read with the Companies (Share Capital and Debentures), Rules, 2014, as amended from time to time and other applicable laws/regulations.
- d) Benefits – Payment of premium by the Company towards medical, life and personal accident insurance, provision of Company owned car, reimbursement of fuel, housing loan subsidy, club membership and such other benefits as are decided by NRC/Board from time to time.

5. Key Performance Parameter for MD/CEO/Whole-Time Directors and Key Managerial Personnel

5.1 The Variable pay of Whole-Time Directors (WTDs), Key Managerial Personnel (KMPs) would be awarded at the end of the financial year, based on the assessment of the Performance parameters set by the NRC/Board, and in accordance with the norms prescribed by IRDAI CG Regulations.

5.2 The Performance parameters prescribed by the IRDAI CG Regulations read with the Master circular in this regard, currently , includes the following:

- a) Key strategic and operational deliverables for the year and progress on the mid-term and long-term deliverables
- b) Overall financial soundness and improvements thereof namely
 - Line-wise net incurred loss ratio
 - Line-wise 'renewal premium' to 'new business premium' ratio
 - Expense of management' to 'Gross direct premium' ratio
- c) Products' performance and improvements thereof
- d) Claim responsiveness and improvements thereof
- e) Grievance redressal and improvements thereof;
- f) Implementation of Indian Accounting Standards;
- g) Removal of dark patterns in Company's own interaction with the public and ensuring the same for company's distributors.

5.3 The Parameters stated on 5.2 above may vary depending on the changes specified by IRDAI from time to time

6. Claw back

As per the agreement between the KMP and the Company, including the Claw-back clause, the KMP agrees to return previously paid or vested variable pay to the insurer under certain circumstances including:

- a) Gross negligence
- b) Integrity breach
- c) Materially inaccurate financial statements due to the result of misconduct including fraud
- d) Poor compliance in respect of corporate governance and regulatory matters

The NRC's decision on trigger of Claw-back and quantum to be clawed back would be final and binding.

7. Malus:

In the case of deferred remuneration, in the event of any negative trend in the defined parameters and/or the relevant line of business in the year during the vesting period, unvested / unpaid portions of deferred variable pay shall be reduced or cancelled as per the assessment. The NRC's decision in this regard on trigger and quantum of Malus would be final and binding.

Malus effective from variable / deferred remuneration payable for PY 2023-24 onwards.

The above malus provisions would be included / amendment added in the employment contract of the MD & CEO, WTD and KMPs and the applicability would be as decided by NRC.

8. Remuneration of Persons/Members of Senior Management, KMPs (other than Whole-Time Directors) and other employees

8.1 **“Executive Board”** shall mean all Whole-Time Directors of the Company including the Managing Director & CEO.

8.2 **“Key Managerial Personnel”** (KMP) shall be KMPs pursuant to the provisions of the Companies Act, 2013 and those pursuant to IRDAI CG Regulations and shall include the following for the purpose of the Policy

a) KMPs as per Companies Act, 2013 and LODR Regulations:

- the Managing Director and CEO;
- the Executive Director;
- the Chief Financial Officer;
- the Company Secretary; and

b) Following are KMPs as per IRDAI CG Regulations or any other such requirement prescribed by IRDAI, in addition to above-mentioned persons (KMPs as per IRDAI requirements)

- Appointed Actuary
- Chief Investment Officer
- Chief Risk Officer
- Chief Compliance Officer

Such other person/officer of the core management team of the Company in Grade T2 and includes functional heads one level below the Managing Director & CEO.

8.3 **“Senior Management”**, for the purpose of this Policy, means the personnel of the Company who are members of its core management team excluding the Executive Board, KMPs and shall comprise of all members of management one level below the Executive Board including the functional heads. The current Senior Management comprises

Presidents/Functional Heads/ Business Heads of the Company in T1 and T2 or such other band as may be approved by the NRC from time to time;

- 8.4 The key components of remuneration package of the persons/members in Senior Management, KMPs and other employees may comprise of base salary, special allowance, house rent allowance, variable pay, contribution to provident fund and superannuation fund (if opted for), premium on medical insurance and personal accident insurance, gratuity and leave travel allowance and such other emoluments as may be decided by the Executive Board in consultation with the Human Resources Department.
- 8.5 The NRC may approve grant of stock options to employees in certain grade / category under Employees Stock Option Plan of the Company, subject to fulfillment of eligibility criteria.
- 8.6 The Variable pay, to the KMPs - as prescribed in the IRDAI CG Regulations, would be awarded at the end of the financial year based on the Performance Objectives/defined parameters, as set out in the agreements between them and in accordance with the norms prescribed by IRDAI CG Regulations.

All the requirements with regard to the criteria for payment of remuneration, applicable for WTDs would be applicable to KMPs as per IRDAI requirements in accordance with IRDAI CG Regulations.

- 8.7 The remuneration, performance appraisal and rewards of persons / members of Senior Management and other employees, shall be in line with the stated business objectives
- 8.8 The total remuneration payable to the Senior Management shall be recommended by the NRC and approved by the Board of Directors.

The remuneration payable to other employees shall be linked to their overall performance and as decided by the Executive Board in consultation with their functional heads/business heads and Human Resources Department. The NRC may approve grant of stock options to employees under Employees Stock Option Plan of the Company, subject to fulfillment of eligibility criteria.

- 8.9 Employees must conduct themselves to ensure that no breach is committed of the provisions of Code of Conduct, HDFC ERGO's Securities Dealing Code, Standard Operating Processes (SOPs) and all other relevant and applicable policies and codes. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.



9. Disclosures in the Board's Report or Report on Corporate Governance

As required under the relevant provisions of the Act and the rules made there under, LODR Regulations and the IRDAI CG Regulations, as amended from time to time, this Policy shall be uploaded on the website of the Company at www.hdfcergo.com and the salient features of this Policy and changes, if any along with said web address and the particulars of remuneration of Directors, KMPs, Senior Management and other employees, to the extent applicable shall be disclosed in the Board's Report or Report on Corporate Governance. The disclosures in the Board Report regarding the said KMPs shall be in accordance with the requirements prescribed in the respective regulations/guidelines in this regard.

10. Policy review

- a) This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Act and rules made there under, LODR Regulations and the IRDAI CG Regulations, as amended from time to time, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.
- b) This Policy shall be subject to annual review by the NRC.
- c) The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.
