



**HDFC STANDARD LIFE INSURANCE COMPANY LIMITED
(‘HDFC Life’)**

REMUNERATION POLICY

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PART A

1) Introduction

In pursuance of the Company's policy to attract, motivate and retain manpower in a competitive market, and in terms of the provisions of the Companies Act, 2013, this Policy on remuneration of Directors, Key Managerial Personnel and other employees has been put in place.

2) Reference

A. Section 178(3): The Nomination & Remuneration Committee shall formulate the 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 and other employees.

B. Section 178 (4) The Nomination & Remuneration Committee 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 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:

Provided that such policy shall be disclosed in the Board's report

C. Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) 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.

D. As per the IRDAI Corporate Governance Guidelines dated May 18, 2016, the Nomination & Remuneration Committee shall ensure that the proposed appointment / reappointments of the Key Management Persons / Directors are in conformity with the Board approved policy on retirement / superannuation.

3) Applicability

This Policy shall be applicable to Directors, Key Managerial Personnel and other employees of HDFCSL.

This Policy shall be deemed to be effective from April 1, 2014.

The changes made to this Policy to the extent mandated by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') would be applicable to the Company effective from listing of its equity shares on the Stock Exchanges.

4) Objective of the Policy

The purpose of this Policy is to put in place a framework for remuneration of Directors, Key Managerial Personnel and other employees, keeping in view various requirements as given at 2 above

This Policy is guided by the set of principles and objectives as particularly envisaged under section 178 of the Companies Act 2013, which inter alia include principles pertaining to determining the qualifications, positive attributes, integrity and independence of Director etc.

5) Nomination & Remuneration Committee

The Nomination & Remuneration Committee of the Board deals with matters related to remuneration of employees of the Company. In framing this Policy, the Committee shall be governed by the terms of reference as approved by the Board from time to time as well as the relevant provisions of the Companies Act, 2013.

6) Related Policies

This Policy needs to be read along with the Corporate Governance Policy ('CG Policy') and the Employees Compensation Policy(as framed by HR)`of the Company. As per the CG Policy, the Terms of Reference of the Nomination &Remuneration Committee ('Committee')includes determining and making recommendations with respect to all forms of compensation to be granted to the Directors and senior management employees of the Company.

7) Key principles of compensation

a) Attract and retain: Remuneration packages shall be designed to attract high-calibre executives in a competitive global market and remunerate executives fairly and responsibly. The remuneration shall be competitive and based on the individual responsibilities and performance.

b) Motivate and reward: Remuneration shall be designed to motivate delivery of the Company's key business strategies, create a strong performance-orientated environment and reward achievement of meaningful targets over the short- and long-term.

c) Non-monetary benefits: The Executives will be entitled to customary non-monetary benefits such as company cars and company health care, telephone etc. In addition thereto, in individual cases company housing and other benefits may also be offered.

8) Criteria to be considered while appointing Directors

The Nomination & Remuneration Committee shall consider, inter alia, following factors in determining the qualification, positive attributes, integrity, etc. For appointment of directors:

- a) The overall experience of the Directors in the relevant field of their expertise including experience in relevant field/industry;
- b) Academic records/background, educational qualifications, including specialised qualifications in relevant areas like business / corporate Management, finance, marketing, risk, compliance, legal, etc;
- c) Background of the Director and the field of his work/specialisation;
- d) Any other relevant professional qualification and experience

Also, the Nomination & Remuneration Committee/ Board shall be guided by the Board Diversity Policy, when appointing new Directors.

Further, in determining the independence of the Director (for proposed Independent Directors), the Committee shall be governed by the criteria of Independence as specified in the Companies Act, 2013 and any other regulation, as may be applicable from time to time.

9) 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 and the Listing Regulations.

10) Amendments and Review

This Policy is subject to review by the Nomination & Remuneration Committee once in two years or earlier, if necessary or required.

PART B

11) Non Executive Directors – Remuneration

The Non Executive Directors comprise the Non Executive Independent Directors and Non Executive Non Independent Directors.

Further, the company recognizes that Independent Directors need to be adequately remunerated considering the value and guidance received from them, utilization of their skill and experience and time spent for the Company. Thus while considering the remuneration of Non Executive Independent Director, the Committee shall take into account inter alia the following factors among others:

- a. Expertise, advice and inputs provided by the Independent Directors;
- b. Overall amount of work put in by the Independent Director over the period, in discharging responsibilities relating to the Company / their directorship;
- c. Extent of time devoted by Independent Director in deliberating on the strategic and critical issues in the course of the Board and Committee meetings of the Company and give their valuable advice, suggestion and guidance to the management of the Company from time to time.

The remuneration of Non Executive Directors may comprise of the following:

- a) The Non- Executive Directors' may receive remuneration by way of fees for attending meetings of Board or Committee thereof provided that the amount of such fees shall not exceed Rs. One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time, but always subject to such amounts as decided by the Board from time to time.
- b) Further, the Non Executive Independent Director may also be paid Commission (based on Net Profits of the Company), within the monetary limits as approved by the Board of Directors / shareholders, as may be applicable.
- c) Such other means of compensation may be paid to Non Executive Directors as may be specified under the Companies Act, 2013 / or any other applicable law, and as decided by the Committee / Board.

An Independent Director shall not be entitled to any stock option of the Company, as per the provisions of the Companies Act, 2013 and SEBI Listing Obligations and Disclosure Requirements Regulations, 2015.

Required approvals (including that of Shareholders and IRDA), as and to the extent applicable, shall be obtained for any such payments of compensation/remuneration.

12) Retirement by Rotation

The Non-Executive Directors of the Company would be liable to retire by rotation in line with the provisions contained in the Companies Act, 2013 read with the Articles of Association of the Company.

13) Limit on remuneration

Remuneration / Commission may be paid within the monetary limit approved by shareholders, subject to the limits specified under the Companies Act, 2013 and IRDAI Regulations.

PART C

14) Executive Remuneration

Compensation/ Remuneration for Executives (including the Managing Director & Chief Executive Officer, Executive Director, Key Managerial Personnel and other Executives and Employees) of the Company is determined as per the Compensation Policy as in force, and as amended from time to time. Such Compensation Policy (called 'HR Compensation Policy'), and as updated/ amended from time to time, shall be deemed to be part of and incorporated into this Policy. The Executive Remuneration is evaluated annually against performance and a benchmark of companies in insurance and BFSI Sector, which in size and complexity are similar to HDFC Life. The remuneration structure inter-alia hinges on the following:

- a) Compensation for each individual is benchmarked every year with competitors (Life Insurance companies and Asset Management companies) to ensure that their compensation is at par or above the industry median.
- b) Variable Pay for Performance - over and above fixed compensation individuals may be rewarded with annual periodic bonus linked to performance.
- c) ESOP - Individuals are eligible for grants as per the ESOP scheme in the Company which has been designed to reward performance and drive long term retention of critical talent.
- d) Learning & Development - The Company may invest in providing the best of learning and development opportunities for each individual to enable them to enhance their skills and knowledge.

The remuneration and other terms of the key managerial personnel / other employees shall also be subject to terms and conditions as specified in their respective letter of appointment.

Executives shall be covered under the Directors and Officers Liability Insurance (D&O) Policy.

Employees must conduct themselves to ensure that no breach of Code of Conduct, Employee Dealing Code, Standard Operating Procedures (SOPs) and all other relevant and applicable Codes is committed. Any such breach will have a direct bearing on their performance appraisal and rewards and shall also attract appropriate disciplinary action.

Remuneration / Commission may be paid within the monetary limit approved by shareholders, subject to the limits specified under the Companies Act, 2013 and IRDAI Regulations

If any Managerial Personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

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