



Star Union Dai-ichi
Life Insurance

A joint venture of
  

Remuneration Policy for the members of the Board

Document Control

Document Version

This Remuneration Policy for the members of the Board is document version 1.1

Document History

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1.	1.0	25.10.2016	Megha Dhamija Rakesh Kumar	Head – Corporate HR Company Secretary
2.	1.1	22.09.2017	Nirbhay Bhandari Rakesh Kumar	Sr. Manager – Perf. & Rewards Company Secretary

Reviewed By

SR. No.	Name	Designation	Signature	Remarks
1.	Hitoshi Yamaguchi	Deputy CEO and CFO	Sd/-	

Revision Policy Approved by

Relevant authority	Date
Board of Directors	22.09.2017

Preamble:

Star Union Dai-ichi Life Insurance believes in conducting the affairs of the company in a fair and transparent manner by adopting the highest standards of professionalism and good corporate governance practices. The Remuneration Policy aims to ensure effective governance of compensation, alignment of compensation with prudent risk taking and effective supervisory oversight in compensation.

The Company is committed to ensure that remuneration commensurate with the role and responsibilities of the Directors of the Company. In order to attract and retain properly qualified and best talent at all levels, it is the Company's aim to maintain fair and competitive remuneration consistent with industry standards and practices.

This Remuneration Policy also ensures compliance with the Companies Act, 2013 and IRDA Guidelines on Remuneration for Non-Executive Directors and Managing Director/Chief Executive Officer/Whole-time Directors of Insurers.

Structure of the Board at SUD Life:

The Board of Directors of the Company consists of Whole Time Director (Managing Director & Chief Executive Officer), Non-Executive Directors (Mostly Nominees of Promoters) and Independent Directors. As per Articles of Association of the Company, the Company can appoint maximum 12 directors with the following composition:

1. One Whole Time Director (Managing Director & CEO)
2. Non-Executive Directors with 2 Nominee Directors of Bank of India, 2 Nominee Directors of Union Bank of India and 3 Nominee Directors of Dai-ichi Life Holdings, Inc.
3. Minimum 2 Independent Directors (Minimum 3 Independent Directors by March 31, 2017)
4. Other Directors under any above categories

Definitions:

Company: means Star Union Dai-ichi Life Insurance.

Authority: means Insurance Regulatory Development Authority of India (IRDAI).

Board: means Board of Directors of the Company.

Directors: means Directors of the Company.

Independent Directors: means an Independent Director referred to in sub-section (6) of section 149 of the Companies Act, 2013.

Nomination and Remuneration Committee (NRC): means a committee constituted under Section 178 of the Companies Act, 2013.

Non-Executive Director: The Directors other than Whole Time Directors are Non-Executive Directors.

Policy or this Policy: means Remuneration Policy.

Whole Time Director: includes a Director in the whole-time employment of the Company.

Principles of Remuneration:

The policy is built on the following principles:

- **Vision and Strategy:** Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Company's vision and strategy.
- **Transparent:** The policy and its execution are clear and practical.
- **Aligned within the company's objectives:** The remuneration policy is aligned with the company's short term and long term objectives, compatible with those of management and other employees.
- **Long-term oriented:** The incentives focus on long-term value creation.
- **Compliant:** Company adopts the highest standards of good corporate governance.
- **Simple:** The policy and its execution are as simple as possible and easily understandable to all stakeholders.
- **Equity:** The Company shall remunerate the board members in terms of their roles within the organisation. Reference to external market norms will be made using appropriate market sources, including relevant and comparative survey data, as determined to have meaning to the Company's remuneration practices at that time.
- **Performance-Driven Remuneration:** The Company shall entrench a culture of performance driven remuneration through the implementation of the Fixed and Variable System.
- **Affordability and Sustainability:** The Company shall ensure that remuneration is affordable on a sustainable basis

A. Remuneration for Non-Executive Directors including Independent Directors:

It is the intent that the remuneration to the Directors is in line with comparable companies, whilst also taking into consideration Board member's required competencies, effort and the scope of the board work including the number of meetings.

The components of the remuneration for Non-Executive Directors are as follows:

1. **Sitting Fee and Reimbursement of Expenses:** The Non-Executive Directors are entitled for sitting fee and reimbursement of expenses for participation in Board and Committee Meetings as approved by the Shareholders on recommendation of NRC subject to maximum limit as prescribed under Companies Act, 2013 and IRDAI Guidelines, if any.

The sitting fee and reimbursement of expense for Independent Directors may be different than other Non-Executive Directors. The quantum of sitting fee and reimbursement of expenses payable for Independent Directors shall be decided by the Board of Directors considering their performance, experience, contribution to the Board, peer group payment structure to their Independent Directors and Company's performance. In case of overseas meetings, the Non-Executive Directors including Independent Directors shall be eligible for

Diem Allowances of USD 500 per day. The calculation of days shall be as per the HR Policy of the Company. In case of government officials, the allowances will be as per applicable rules governing their travel policy.

2. **ESOPs:** If the Company rolls out ESOPs Scheme, Independent Directors shall not be eligible to participate in ESOPs Scheme of the Company.

B. Remuneration for Managing Director/Chief Executive Officer/Whole-Time Director:

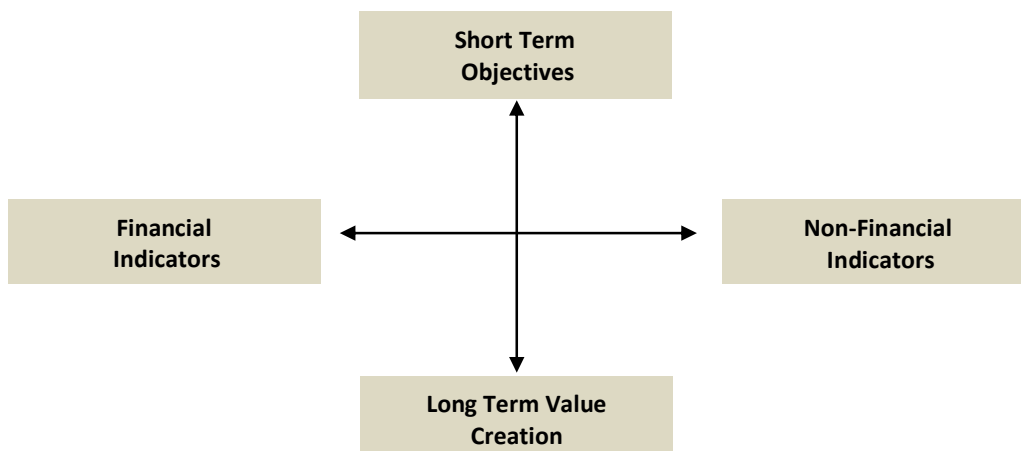
Approach & Philosophy:

The Remuneration payable to Managing Director/Chief Executive Officer/Whole-Time Director is recommended by the Board and approved by the Authority. The Remuneration shall take into account the Company’s performance, Individual contribution, Profitability track record, External Industry environment and any such factor which has impact on wholesome growth of the company.

The Remuneration should be adjusted for all types of risk and payouts sensitive to time horizon of the risk. Risk adjustment methods should preferably have both quantitative and judgmental parameters. Following are the Indicative parameters that should be referred while formulating Performance and Remuneration linkage:

- Persistency
- Solvency
- Grievance Redressal
- Expenses of Management
- Claim Settlement
- Claim Repudiations
- Overall Compliance Status
- Overall Financial position such as Net-worth Position of the Insurer, Asset under Management (AUM) etc.

The Remuneration should reflect a balanced contribution of the role holder on the following parameters:



Balanced Performance parameters must be fixed at the beginning of the financial year covering both financial and non-financial parameters that are in line with the Business plan of the company and are approved by the Board. MD & CEO's performance evaluation will be done against these set of parameters and will result into a performance rating which will be the basis of payout of any reward component.

Components of Remuneration:

The Remuneration payable to Managing Director/Chief Executive Officer/Whole-Time Director should be designed with an appropriate mix of Fixed component, Variable Component & Perquisites or Benefits in line with market practice. These components should align with the short and long term objectives of the company as reflected in the Performance Management system of the company and remunerate accordingly.

1. **Fixed Remuneration:** This includes guaranteed cash in the form of Annual fixed salary including retivals like Gratuity and PF. This component is payable on a monthly basis and is set at the beginning of the year. This component should be reasonable taking into account all relevant factors like key performance indicators, market environment and industry benchmarks.
2. **Variable Remuneration:** While designing remuneration, it should be ensured that there is proper balance between fixed pay and variable pay. At higher levels of responsibility, the proportion of variable pay may be higher. Variable pay could be in the form of cash, stock linked instruments or mix of both. Employee Stock Option Plan is excluded from this component. The Variable component is further divided into short and long term incentive.
 - Short term incentive is linked to annual objectives of the company and payable at the end of the year.
 - Long term incentive is tied with long term value creation for the company and is deferred over a period of 3 years. The incentive is linked to cumulative achievement against the KPIs for 3 years
 - The deferment period of three years excludes the year of performance assessment and the clause is effective from FY 2017-18. For Example: Payout of the Long Term Incentive for the FY 17-18 will be made at the end of FY 2020-21.
 - To create longevity in purpose for driving the business outcomes and in line with the regulatory guidelines, the variable pay is structured in a manner that short term incentive is paid annually whereas long term incentive payout is deferred by 3 years. Earning potential under the Long term incentive will depend on cumulative achievement ratio of 3 years against the KPIs.
3. **ESOP:** ESOPs will be governed by regulatory provisions once the company launches any such scheme subject to approval from the shareholders.
4. **Perquisites:** Based on the market practice, the company can provide for benefits beyond fixed salary like Company car, Housing assistance, Loans, Insurance, Health & wellness benefits, Relocation assistance, Club Membership, etc. subject to approval from the shareholders if not covered under the terms of his/her contract of appointment/renewal.
5. **Guaranteed Bonus:** This component is only applicable for new appointment and is given in the form of Joining/Sign-on bonus subject to approvals from the shareholders.
6. **Severance Pay:** Any component other than notice period pay or accrued benefits (like gratuity etc.) in case of separation can only be included in the compensation with prior approval from the shareholders.

Renewal of Remuneration:

- No revision in Remuneration for MD/CEO/WTDs shall be permitted till the expiry of one year from the date of earlier approval.
- In case the annual remuneration of MD/CEO/WTDs exceeds Rs. 1.5 Crore (including all perquisites, bonus etc.), such excess shall be borne by the shareholders' account.
- No remuneration shall be paid to MD/CEO/WTDs by any of the promoter/investor or by the group companies of the promoters'/investors' companies

The Board shall be the internal approving authority for Remuneration payable to MD & CEO provided the payouts are within the terms and conditions approved by the shareholders at the time of appointment/renewal.

Committee Members' Interests:

A member of the NRC is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. However, NRC may invite such executives, as it considers appropriate, to be present at the meetings of the NRC.

Review: The Remuneration Policy shall be annually reviewed by the Board on recommendation of NRC.

Ownership of the Policy: The Company Secretary and Head-HR shall act as custodians of the Policy.

Disclosure:

The Company is required to make disclosure on remuneration paid to Directors on an annual basis in their Annual Report.

Star Union Dai-ichi Life Insurance Company Limited

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