Nomination & Remuneration (NRC) Policy

Contents

1. Objective

The objective of this policy is to lay down a framework in relation to appointment and remuneration of members of the Board of Directors, Key Management Personnel, Senior Management and other employees of Bandhan Life Insurance Limited.

The policy promotes performance and aims at attracting and retaining talented executives while safeguarding the Company's interests through focussing on a long-term perspective.

This Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto, Guidelines on Corporate Governance issued by the Insurance Regulatory and Development Authority of India (IRDAI) dated 18 May 2016 and, Insurance Regulatory and Development Authority of India (Remuneration of Non-executive Directors of Private Sector Insurers) Guidelines, 2016 and Insurance Regulatory and Development Authority of India (Remuneration of Chief Executive Officer / Whole-time Director/ Managing Director of Insurers) Guidelines, 2016, both dated 5 August 2016 (collectively the "Remuneration Guidelines") issued by Insurance Regulatory and Development Authority of India ("IRDAI") as amended from time to time.

2. Definitions

2.1. **"Board"** means Board of Directors of the Company

2.2. **"Company"** means "Bandhan Life Insurance Limited" (formerly Aegon Life Insurance Company Limited).

2.3. **"Directors"** means Directors of the company.

2.4. **"Independent Director"** means a Director referred to in Section 149(6) of the Companies Act, 2013 read with the rules made thereunder.

2.5. **i. "Key Managerial Personnel"** as defined under Section 2 (51) of the Companies Act, 2013, means

a. Chief Executive Officer or the Managing Director or Manager,
b. Company Secretary
c. Whole-time Director and
d. Chief Financial Officer
e. Such other officer not more than one level below the directors who is in whole-time employment designated as Key Managerial Personnel by the Board.

ii. "Key Management Person" as per IRDAI (Registration of Indian Insurance Companies) Regulations, 2022 means members of the core management team including all whole-time directors/ Managing Directors (MD)/ Chief Executive Officer (CEO) and the functional heads one level below the MD/CEO, including the Chief Financial Officer, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer, and the Company Secretary.

Note:

i. *The nomenclature or designations used in the above definition are only illustrative and shall be appropriately mapped to the respective functions while reporting information under these guidelines, wherever, necessary.*

ii. *The term Senior Management as per the IRDAI Corporate Governance Guidelines, 2016 means CEO and other KMPs.*

2.6. "Other employees" means all full-time employees of the Company excluding MD/ CEO/ WTD/ Managers and KMPs.

3. Constitution of Nomination & Remuneration Committee:('Committee')

i. The Committee shall consist of a minimum of 3 non-executive directors of which at least one-half of them being independent directors.
ii. The Chairperson of the Committee should be an Independent Director
iii. The Chairperson of the company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such committee.

4. Role of the committee

i. To identify persons who are qualified to become Directors (other than Directors to be nominated by Bandhan Financial Holdings Ltd).
ii. To identify persons who can be appointed in Senior Management Persons and Key Managerial Personnel in accordance with the criteria laid down and recommend to the Board, the appointment, re-appointment, and removal.
iii. To formulate criteria for determining qualifications, positive attributes, and independence of a director.
iv. To formulate criteria for evaluation of Independent Directors and the Board.
v. To specify manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the board or NRC or external agency and review its implementation and compliance.
vi. To work with the Risk Management Committee and ensure an integrated approach to the formulation of the remuneration policy that factors in –
    - Adjustment for all types of risk
    - Remuneration outcomes which are symmetric with risk outcomes
    - Remuneration payouts which are sensitive to the time horizon of risk and,
    - The mix of cash, equity, and other forms of remuneration are consistent with risk alignment.
vii. To recommend to the Board, Policy relating to the remuneration for the Directors, Key Managerial Personnel, Senior Management, and other employees
viii. To fix the terms & conditions, including remuneration and annual increments of the Key Managerial Personnel and Senior Management
ix. To ensure succession planning for the senior management positions through a process of proper identification and nurturing of individuals for taking over senior management positions.
x. To scrutinize the declarations of intending applicants before the appointment/ reappointment/ election of directors by the shareholders at the General Meetings. The Committee shall also scrutinize the applications and details submitted by the aspirants for appointment as the KMP and Senior Management Persons.
xi. To make independent/discreet references, where necessary, well in time to verify the accuracy of the information furnished by the applicant.
xii. To perform such other functions as may be prescribed under the Companies Act, 2013, IRDAI guidelines or any other law or as may be delegated by the Board from time to time.

5. Criteria for determining qualifications, positive attributes of Directors, Key Managerial Personnel and Senior Management Persons and other employees.

5.1. Appointment criteria, qualifications, and positive attributes

a) Any appointment, reappointment, termination of appointment or remuneration of a managing or whole-time director, or of a manager or a chief executive officer, by whatever name called, whether that provision be contained in the memorandum or articles of association, or in an agreement entered into by him/her, or in any resolution passed by the members in general meeting or by the Board of directors shall have effect only with the prior approval of the IRDAI

b) The Committee shall identify and ascertain the integrity, qualification, expertise, and experience of the person for appointment as Director, Key Managerial Personnel or at Senior Management level and recommend to the Board his / her appointment/re-appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

c) The criteria for independence of an Independent Director should be determined as per Section 149(6) of the Companies Act, 2013 and Rules, Regulations laid down under it.

d) The candidate for such positions shall ensure the following:
   a. Actively update their knowledge and skills with the latest developments in Financial Industry, market conditions and applicable legal provisions
   b. Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities.
   c. Ability to develop good relationship with other colleagues and contribute to the long-term strategy of the Company and
   d. Such other criteria and attributes as may be determined by the Chief People officer with respect to the position being considered.

e) Appointment criteria and qualifications of 'other employees' other than Key Managerial Personnel and Senior Management Persons shall be governed by the provisions set out in the Standard Operating Procedure of the Human Resources Department which forms a part of the extant policy.

5.2. Term / Tenure of Directors

Managing Director/Chief Executive Director/ Whole-time Director (Managerial Person):

The Company shall appoint or re-appoint any person as its Managerial Person for a term not exceeding fifteen years at a time. The Managerial person cannot hold office beyond fifteen years but shall be eligible again for re-appointment subject to meeting other applicable conditions, after the expiry of at one year from the date of ceasing to be the Managerial person. No re-appointment shall be made earlier than one year before the expiry of term.

The maximum age limit for the managerial person shall be 70 years.

If the MD & CEO or WTD is appointed by the promoter/major shareholder, then the Managerial person cannot hold office beyond a continuous period of twelve years. However, the same may be extended to fifteen years basis application made by the Company to the Authority giving substantial reasons for extending the same.

Non-Executive Directors

The maximum age limit for Non-Executive Directors, including the Chairperson of the Board, shall be 75 years.

The Independent Directors can be appointed in general meeting or by the board of directors for up to a term of five consecutive years and shall be eligible for re-appointment for the second term on passing of a special resolution. The Independent Directors cannot hold more than two consecutive terms, but such Independent Director shall be eligible again for appointment, after expiry of three years from date of ceasing to be an Independent Director.

Key Managerial Persons and Other Employees

The Company shall appoint or re-appoint any person as its Key Managerial Person and Other Employees subject to the provisions set out in the Standard Operating Procedure of the Human Resources Department which forms a part of the extant policy.

5.3. Removal

Due to reasons of any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the internal policies of the Company, the Committee may recommend to the Board on sufficient grounds shown, removal (not resignation) of a Director, Key Managerial Personnel and Senior Management Person subject to the provisions and compliance of the said Act, rules, and regulations.

5.4. Retirement/ Superannuation:

The Directors shall retire as per the applicable provisions of the Companies Act, 2013. The Key Managerial Personnel and Senior Management Persons shall retire as per the prevailing HR policy of the Company and terms of the employment entered. Subject to the applicable law, the Committee will recommend to the Board retention of any persons, in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

For other employees the retirement/superannuation age of the employee will be as per applicable HR policy.

The Managing Director & CEO can retain any employee over and above the age of retirement/superannuation, for the benefit of the Company.

The duration of extension shall be determined considering the work continuity, criticality of the role.

The maximum duration of the first extension beyond retirement is three years. Thereafter a new application is made for a further period of up to 2 years. No extension can be granted beyond 5 years of retirement.

6. Remuneration Policy

This Remuneration Policy is a framework for remuneration of MD & CEO/ Whole-time Directors, Non-Executive Directors, Key Managerial Personnel and Senior Management Persons and other employees of Bandhan Life Insurance Limited. Any proposed changes to the Policy will be put up for adoption by the Board of Directors of the Company based on the recommendation of the Nomination & Remuneration Committee. The Remuneration Policy will ensure that the performance objectives are aligned with the business strategy and risk tolerance, objectives, values, and long-term interests of the Company and will be consistent with the "pay-for-performance" principle. It shall further ensure that the remuneration to Directors, Key Managerial Personnel and Senior Management Persons and other employees of the Company involves a balance between fixed and variable pay reflecting the short and long-term performance objectives of the Company as determined by the Board thereby promoting sound overall governance of insures and fair treatment of customers. The policy shall not encourage Key Managerial Persons to take inappropriate or excessive risk for their performance based variable remuneration.

6.1. Remuneration Policy for MD & CEO / Whole Time Directors

Compensation for MD & CEO will consist of monthly fixed pay including retirals (Provident Fund and Gratuity) (Fixed Pay) and Variable Pay. The Fixed Pay and Variable Pay will be termed as Total pay subject to risk involved. The Variable Pay will include cash instruments in the form Performance Linked Variable pay (PLVP) and non-cash share linked instruments.

The company follows a Key Result Areas (KRAs) and basic responsibilities approach in designing a holistic performance management system. Adequate attention shall be given to robust goal setting process to alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across the organization.

These KRAs will be the basis for performance assessment at the end of the performance year, which will determine the payment of variable pay as well as revision of fixed pay. The remuneration to MD &CEO/WTDs will be subject to approval of IRDAI and such other approvals may be required. The risk involved can be a factor of minimum health parameters such as Persistency, Solvency, Grievance Redressal, Expense Management, Satisfactory audit ratings, Claims settlement, Claims repudiations, Overall Compliance status and overall financial position such as Net Worth Position, Asset under Management (AUM) etc.

Minimum parameters considered for determination of performance assessment of MD/CEO/WTD:

I. Overall financial position such as net worth position, solvency, growth in asset under management (AUM), operating profit/ net profit, embedded value, value of new business etc.
II. Compliance with Expenses of Management Regulations:
III. Claim efficiency in terms of settlement and outstanding:

IV. Improvement in Grievance Redressal status
V. Reduction in Unclaimed Amounts of policyholders:
VI. Persistency 37th Month to 61st Month,
VII. Satisfactory audit ratings,
VIII. Claims settlement,
IX. Claims repudiations,
X. Overall Compliance status with respect to all applicable laws

These above parameters will constitute at least 60% of the total weightage in performance assessment of MD & CEO.

In addition to the above, 40% of the total weightage will be based on the other organisation goals and objectives which are in line with the business plan and approved by the Board and will be decided basis discretion of the Board.

The remuneration to MD & CEO will be subject to approval of IRDAI and such other approvals as may be required. Compensation will be competitive to attract, retain, and motivate competent talent that delivers to organization objective. Both qualitative and quantitative measures will be taken into account while determining the performance.

Types of Remunerations

Fixed Pay

This is referred to as portion of the "Total pay" which is paid on monthly basis and includes retiral benefits (Provident Fund and Gratuity). The NRC/Board will determine the amount of fixed pay which will be reasonable taking into account all relevant factors such as role complexity, size, vintage and experience of incumbent, profile and prominence of leadership among industry leaders and market benchmarks and in accordance with the IRDAI guidelines.

The Fixed pay should be reviewed annually using market intelligence and shall take into consideration economic outlook, market competition, inflation, and other relevant factors.

Variable pay

The Variable pay is given considering the individual performance and overall Company performance. Variable Pay should be a minimum of 50% of the Fixed Pay and should not exceed 300% of the Fixed Pay. The Variable Pay will be further split into Cash and Non-Cash Instruments.

Where Variable Pay is up to 200%, at least 50% of the Variable Pay will be in the form of Non-Cash Instruments and Where Variable Pay is above 200% then at least 70% of the Variable Pay will be in the form of Non-Cash Instruments

50% of the Variable Pay will be under deferral arrangements that will be vested in 3 equal instalments and first vesting will accrue after 1 year from the commencement of deferral period. No deferral will be applicable if the cash component of variable pay is less than Rs 25 lacs in a year.

Any variable pay shall be paid/granted only once during a financial year.

Guaranteed Bonus / Joining /Sign on Bonus and Severance Pay

Guaranteed bonuses are not consistent with the principles of meritocracy and the Company will not encourage any kind of guaranteed bonus.

Joining or sign-on amount will occur in the context of hiring a new staff and will be limited to first year. Such bonus will neither be considered as part of Fixed Pay nor as part of Variable Pay.

The Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity or Superannuation), except in cases where it is mandated by statute / regulation/ any scheme approved by NRC.

6.2. Remuneration policy for Key Managerial Personnel and Senior Management Persons (excluding MD & CEO)

The remuneration of the Key Managerial Personnel and Senior Management Persons (excluding MD&CEO) will be decided by the Board on the recommendation of the NRC. The remuneration will be based on performance benchmarks and will be a balance between Fixed Pay including retirals (Provident Fund and Gratuity) & Variable Pay. The Variable Pay will include cash instruments in the form Performance Linked Variable pay (PLVP) and non-cash share linked instruments. The Fixed Pay and Variable Pay will be termed as Total pay.

The company follows a Key Result Areas (KRAs) and basic responsibilities approach in designing a holistic performance management system. Adequate attention shall be given to robust goal setting process to alignment of individual objectives to support the achievement of business strategy, financial and non-financial goals across the organization.

These KRAs will be the basis for performance assessment at the end of the performance year, which will determine the payment of variable pay as well as revision of fixed pay. The remuneration to KMPs will be subject to review and approval of the NRC.

Minimum parameters considered for determination of performance assessment of KMPs are:

I. Overall financial position such as net worth position, solvency, growth in asset under management (AUM), operating profit/ net profit, embedded value, value of new business etc.
II. Compliance with Expenses of Management Regulations:
III. Claim efficiency in terms of settlement and outstanding:
IV. Improvement in Grievance Redressal status
V. Reduction in Unclaimed Amounts of policyholders:
VI. Persistency 37th Month to 61st Month,
VII. Satisfactory audit ratings,
VIII. Claims settlement,
IX. Claims repudiations,
X. Overall Compliance status with respect to all applicable laws

These above parameters will constitute at least 30% of the total weightage in performance assessment of KMPs & Senior Management Persons.
In addition to the above, 70% of the total weightage will be based on the other organisation goals and objectives which are in line with the business plan and approved by the Board and will be decided basis discretion of the Board.

Types of Remunerations

Fixed Pay

This is referred to as "Total Fixed pay" and is the component of total remuneration specified in an employee's contract of employment and subsequent periodic salary reviews. It is inclusive of retirals (Provident Fund and Gratuity). The NRC/Board will determine the amount of fixed pay which will be reasonable taking into account all relevant factors such as role complexity, size, vintage and experience of incumbent, profile and prominence of leadership among industry leaders and market benchmarks and in accordance with the IRDAI guidelines.

The Fixed pay should be reviewed annually using market intelligence and shall take into consideration economic outlook, market competition, inflation, and other relevant factors.

Variable Pay

The Variable pay is given considering the individual performance and overall, Company performance. Variable Pay should be a minimum of 50% of Fixed Pay and should not exceed 300% of the Fixed Pay. The Variable Pay will be further split into Cash and Non-Cash Instruments.

Where Variable Pay is up to 200%, at least 50% of the Variable Pay will be in the form of Non-Cash Instruments and where Variable Pay is above 200% then at least 70% of the Variable Pay will be in the form of Non-Cash Instruments

50% of the Variable Pay will be under deferral arrangements that will be vested in 3 equal instalments and first vesting will accrue after 1 year from the commencement of deferral period. No deferral will be applicable if the cash component of variable pay is less than Rs 25 lacs in a year.

Any variable pay shall be paid/granted only once during a financial year.

Guaranteed Bonus / Joining /Sign on Bonus and Severance Pay

Guaranteed bonuses are not consistent with the principles of meritocracy and the Company will not encourage any kind of guaranteed bonus.

Joining or sign-on amount will occur in the context of hiring a new staff and will be limited to first year. Such bonus will neither be considered as part of Fixed Pay nor as part of Variable Pay.

The Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity or Superannuation), except in cases where it is mandated by statute / regulation/ any scheme approved by NRC.

6.3. Remuneration policy for Non-Executive/ Independent Directors

The Non-Executive / Independent Directors may be paid sitting fees (for attending the meetings of the Board and of Committees of which they may be members) and such other remuneration within regulatory limits prescribed under the Companies Act and IRDAI guidelines. The Remuneration will be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors. Remuneration of NEDs may include the following –

a. Sitting fees for attending Board/Committee meetings or for any purpose whatsoever as may be decided by the board, as may be prescribed under the Companies Act, from time to time.

b. Reimbursement of expenses for participation in the board and other meetings

Non-Executive / Independent Directors shall not be eligible to participate in any share-based payment schemes of the Company.

The total remuneration paid to the non-executive director shall not exceed Rs. 30 lakhs per annum. This does not include the sitting fees, or any reimbursement of expenses paid for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.

Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (c) above 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.

6.4. Remuneration policy for other employees

The remuneration of the other employees will be decided by the MD & CEO and CPO within the overall budget approved by the Board on the recommendation of the NRC. The remuneration will be based on performance benchmarks and will be a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

Types of remuneration

Fixed Pay

This is referred to as “Total Fixed pay” and is the component of total remuneration specified in an employee’s contract of employment and subsequent periodic salary reviews. It is inclusive of retirals (Provident Fund and Gratuity).

Variable Pay

The variable pay aims to reward eligible employees based on pay for performance principle. It is not a guaranteed element of remuneration and is based on performance of individual and the performance of

the company. The Variable Pay or pay for performance will take into consideration the time horizon of risk (if applicable). Variable pay is expressed as % of Total Fixed pay.

It may include Performance Linked Variable Pay, Incentive Plans, or share based instruments. The objective for the Variable Pay is to attract, motivate and retain critical talent and high performers. Variable Pay is granted to eligible employees of the Company based on their relative position, performance, future potential, and length of the service with the Company.

6.5. Malus & Clawback

Malus & Clawback clauses will be part of employment contracts and will be applicable to variable pay. These can be applied to all categories of employees. Malus & Clawback clauses will be applied basis informed judgement and discretion of the NRC.

Malus:

Malus arrangement is applicable for all type of variable pay (Cash/ Deferred Cash/ ESOP/ SARS/ Deferred Incentive Plan), which has not yet vested, or vested but not paid / exercised. Payment of all, or part, amount of Variable Pay can be prevented under Malus.

Clawback:

Previously paid or already vested Variable Pay can also be recovered under this clause. It may be applicable for up to past 3 years of variable pay (Cash/ Deferred cash/ Deferred Incentive Plan), which has vested and paid & LTIP in case of ESOP/ SARS exercised or paid. This arrangement is applicable fully or partially for all the types of variable pay. Clawback will be applicable to employees even after their separation from the Company.

Malus and clawback may be applied for following circumstances:

a. Fraud, misfeasance, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information pertaining to the Company or any of its affiliates.
b. Wilful misinterpretation / misreporting of financial performance of the Company.
c. Material failure in risk management controls or material losses due to negligent risk-taking which are attributable to the employee, whether directly or indirectly.
d. Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement, or an act of a felonious or criminal nature.
e. Non-disclosure of material conflict of interest by the employee or any misuse of official powers.
f. An act of wilful, reckless, or grossly negligent conduct which is detrimental to the interest or reputation of the Company or any of its affiliates, monetarily or otherwise.
g. Material breach of Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules, and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply malus or / and clawback provisions.
h. In case of adverse trends in specified parameters or relevant line of business during the vesting period, unvested/unpaid deferred variable pay may be reduced or cancelled, subject to assessment.

In deciding the application of malus / clawback to any part or all of variable pay or incentives (whether paid, vested, or unvested), the NRC will follow due process and adhere to the principles of natural justice and proportionality. Further, in assessing the quantum of cancellation / withdrawal, the NRC will take into consideration all relevant factors, including inter alia, internal factors such as role and responsibilities

of the employee, culpability, and proximity to the misconduct as well as any external factors, including but not restricted to a situation like COVID 19, that may have been beyond the control of the concerned employee.

6.6. Duties of the Committee in relation to remuneration matters

a. To ensure that the level and components of remuneration are reasonable and sufficient to attract, retain and motivate Directors, KMPs of the quality required to run the company successfully.
b. To evaluate the remuneration against performance and the trend prevalent in the Insurance industry, and businesses similar to the Company.
c. To ensure that the remuneration packages strike a balance between fixed and incentive pay, where applicable, reflecting short and long term performance objectives appropriate to the Company's working and goals.
d. To ensure that a requisite framework exists for appointments and qualification requirements for the human resources, and which ensures that the incentive structure does not encourage imprudent behaviour.
e. To ensure compliance of the provisions of law with regards to making payment of remuneration, as may be applicable.

7. Ownership and Review

a. The ownership of the Policy and the responsibility to implement and ensure compliance of the policy vests with the Chief People Officer
b. The Policy shall be reviewed every year by the NRC keeping in view in line with the changing regulatory requirements or otherwise and the recommendations, if any, placed before the Board for approval.

8. Disclosures

The Company shall comply with the disclosure and accounting requirements prescribed by IRDAI, SEBI or any other regulatory or statutory authorities.