ADITYA BIRLA SUN LIFE INSURANCE COMPANY LIMITED
Executive Remuneration Policy

Aditya Birla Sun Life Insurance Company Limited (“the Company”’/ “We” / “Our” / “ABSLI”) an Aditya Birla Group Company adopts this Executive Remuneration Policy in accordance with the Companies Act 2013, the Guidelines on Remuneration of Directors and Key Managerial Persons of Insurers, 2023 issued by the Insurance Regulatory and Development Authority of India (IRDAI) and other applicable regulations, as amended from time to time. (‘Applicable Law’). This policy is detailed below.

PART A

Aditya Birla Sun Life Insurance Company Limited: Executive Remuneration Policy

At the Aditya Birla Sun Life Insurance Company Limited, we expect our executive team to foster a culture of growth and prudent risk-taking. Our Executive Remuneration Policy supports the design of programs that align executive rewards (including fixed pay, variable pay and perquisites and benefits) with the long-term success of our stakeholders.

Objective:

Our executive remuneration program is intended to:

1. Provide for monetary and non-monetary remuneration elements to our executives on a holistic basis.
2. To ensure effective governance of compensation practices and alignment with prudent risk taking.
3. To ensure that the compensation practices take on board the regulatory framework stipulated from time to time by IRDAI or any other relevant regulatory body.

Coverage:

This Policy shall be applicable to the following Executives:

1. Executive Director of the Company
2. Key Managerial Personnel (KMP)
    a) Chief Executive Officer / Managing Director / Whole Time Director / Manager
    b) Chief Financial Officer
    c) Company Secretary
3. Senior Management Persons: i.e. Officers / Personnel of the Company who are members of its core management team, excluding Board of Directors, comprising all functional heads and members of management one level below the Managing Director / Whole Time Director / CEO or Manager and Key Management Persons as defined under IRDAI Regulations and Guidelines.

Governance Structure for Compensation:

The Nomination and Remuneration Committee ("NRC") is responsible for framing, review and implementation of the Company's compensation policy on behalf of the Board and its role is as set out in the NRC Charter / Terms of Reference.

Principles for Determination of Compensation for Executives:

Compensation to Executives shall be determined based on the following principles:

We aim to provide competitive remuneration opportunities to our executives by positioning target total remuneration (including fixed pay, variable pay and perquisites and benefits) directionally between median and top quartile of the primary talent market.

1. The level and composition of compensation is reasonable and sufficient to attract, retain and motivate the Executives of the quality required to run the Company successfully, which means compensation takes on board:
   - Market competitiveness for the role ('market' for every role is defined as companies from which the Company attracts talent or companies to which the Company loses talent).
   - The size and scope of the role (including those in control functions) and the market standing, skills and experience of incumbents while positioning our executives.
   - The size of the Company, complexity of the sector / industry / Company's operations and the Company's capacity to pay.
2. Linkage of compensation to appropriate performance benchmarks.
3. Compensation outcomes are symmetric with risk outcomes and pay-outs thereof are sensitive to the time horizon of the risk.
4. Compensation structure will have a proper balance between Fixed Pay and Variable Pay.

Executive Pay-Mix

Our executive pay-mix aims to strike the appropriate balance between key components:

i. **Fixed Pay:** Comprising of Basic Salary, Allowances, Retirals and other benefits and will include imputed value of benefits like Housing and Car. It also includes cost of retirals such as Company's contribution to PF, Gratuity, superannuation and pension [Including National Pension System (NPS)].

ii. **Variable Pay:** Includes Performance bonus/Annual Incentive, Long Term Incentive Pay in form of cash bonuses, all share-linked instruments (e.g. ESOP, SARS, etc.). (*The deterioration in the financial performance of the Company / business segment/ function/ individual can lead to a contraction in the total amount of variable pay, which can even be reduced to zero for a particular year depending on the performance outcome of the year.)*

iii. **Perquisite & Benefits:** Perquisite Pay / Benefits are over and above Fixed Pay and include Medical Benefit; Life Insurance Benefit; Personal Accident Benefit; etc. These broad-based plans may be applicable to all employees or select group of employees. In addition to these broad-based plans, Executives are eligible for perquisites and benefits plans commensurate with their roles. These benefits are designed to encourage long-term careers with the Company / Group.

iv. **Other Elements:** Which includes Joining/ Sign on Bonus, Severance package, Deferred Incentive Plans, etc.

Salient features of the compensation structure

- The proportion of variable pay to fixed pay is higher at senior levels and varies across roles based on levels of responsibility.

- Variable Pay payable is subject to Group, Company, Business / Function and Individual performance.

- The following minimum parameters shall be taken into account for determination of performance assessment for payment of variable pay or incentives:
  a) Overall financial soundness such as Net-Worth position, solvency, growth in AUM, Net Profit, etc.
  b) Compliance with Expenses of Management Regulations
  c) Claim efficiency in terms of settlement and outstanding
  d) Improvement in grievance redressal status
  e) Reduction in Unclaimed Amounts of policyholders
  f) Persistency - 37th month to 61st month
  g) Overall Compliance status with respect to all applicable laws.

  The above parameters shall constitute at least 60% of the total weightage in the performance assessment matrix of MD/CEO/WTDs; and at least 30% of the total weightage in the performance assessment matrix of other KMPs individually. The weightage for each of the parameters may be configured suitably for MD/CEO/WTDs and other KMPs depending on their respective roles.

- Additional parameters may be defined in line with the business plan as suitable for the respective roles.

- 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 upto 200% of the fixed pay a minimum of 50% of the variable pay shall be via non-cash instruments. The same limit would be 70% in case the variable pay is above 200% of the fixed pay.

- A minimum of 50% of the total variable pay will be under deferral arrangements and the deferral period shall be minimum of three years. The first such vesting shall accrue after one year from the commencement of the deferral period. Vesting shall be no faster than on a pro-rata basis and shall not take place more frequently than on a yearly basis to ensure proper assessment of risks before the application of ex-post adjustments.

- No deferment of variable pay shall be required for an amount of upto Rupees Twenty-Five Lakhs for a particular year.

- We aim that the remuneration programs do not encourage excessive risk taking. We review our remuneration programs keeping in mind the balance between risk and payout and material portion of the variable pay is deferred spread over three to four years in line with the risk involved.

Malus and Clawback

ABSLI believes in sustained business performance in tandem with prudent risk taking.

Malus arrangement permits the Company to prevent vesting of all or part of the variable pay which has been deferred. It does not reverse vesting after it has already occurred.

Clawback is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested compensation attributable to a given reference year.

Malus and clawback is applicable to employees even after their separation from the organisation.

Malus and clawback may be applied for circumstances like gross and/or willful negligence in performance of their duty or has committed fraud or has performed an act with malafide intent or obstructs the functioning of an organisation; misconduct; Material breach of Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations and any other additional circumstances as determined by NRC.

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 situations, that may have been beyond the control of the concerned employee.

PART B

Policy for Remuneration of Non-Executive Directors

Applicability

This Policy shall be applicable for remuneration payable to Non-Executive Directors from Financial Year 2023-24.

Remuneration

Total remuneration shall not exceed Rupees Twenty lakh per annum for each Non-Executive director.

If the Chairperson of the company is a Non- Executive Director, the remuneration may be decided by the Board of Directors of the insurer and, the remuneration policy shall specify the details of the remuneration and incentives to be paid to him/ her.

Non-Executive Directors shall not be eligible for any equity-linked benefits.

Sitting fees and reimbursement of expenses

In addition to the directors' remuneration mentioned above, ABSLI may pay sitting fees to the non-executive directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.

Age limit and tenure of Non-Executive Directors

The maximum age limit for Non-Executive Directors, including the Chairperson of the board, shall be 75 years and after attaining the age of 75 years no person shall continue on the Board of an insurer.

An Independent Director may be appointed for a term of up to five consecutive years on the Board of ABSLI, and shall be eligible for re-appointment for the second term on passing of a special resolution by ABSLI.

No independent Director shall hold office for more than two consecutive terms, beyond a period of 10 years. After completion of 10 years such independent director shall be eligible for re-appointment only after a cooling-off period of at least three years.

* * * * *