

Nomination and Remuneration Policy

I. Objective

The objective of this policy is to lay down a framework in relation to remuneration of members of the Board of Directors, Key Management Personnel (KMP), Senior Management and other employees of Aegon Life Insurance Company Limited. The remuneration policy promotes performance and aims at attracting and retaining talented executives while safeguarding the Company's interests through focussing on a long term perspective.

The Nomination and Remuneration committee and this Policy is formulated in compliance with the Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and IRDAI guidelines on Remuneration of Non-Executive Directors and Managing Director/ CEO/ WTD .

II. Definitions

1. **“Board”** means Board of Directors of the Company
2. **“Company”** means “Aegon Life Insurance Company Limited”
3. **“Directors”** means Directors of the company
4. **“Key Managerial Personnel”** means
 - a. Managing Director or Chief Executive Officer,
 - b. Company Secretary,
 - c. Whole-time Director,
 - d. Chief Financial Officer and,
 - e. Such other officer as may be prescribed
5. **“Senior Management”** means all key employees reporting to MD & CEO and Key Managerial Personnel.

III. Constitution of Nomination & Remuneration Committee

1. The Committee shall consist of a minimum of 3 non-executive directors, one-half of them being independent directors.
2. The Chairperson of the Committee should be an Independent Director
3. The chairperson of the company may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such committee

IV. Role of the committee

1. To identify persons who are qualified to be become Directors (other than Directors to be nominated by AEGON and BCCL).
2. To identify persons who can be appointed in Senior Management in accordance with the criteria laid down, recommend to the Board their appointment and removal.
3. To carry out evaluation of every Director's performance.
4. To fix the remuneration and annual increments of the CEO and Executive Directors subject to such other approvals as applicable;
5. To review and approve, with modifications if necessary, the recommendation of the CEO relating to the compensation (both fixed and variable) payable to the Key Managerial Personnel and Senior Management;
6. To formulate criteria for determining qualifications, positive attributes and independence of a director.
7. To recommend to the Board, Policies, relating to the remuneration for the Directors, key managerial personnel and other employees and

8. To perform such other functions as may be prescribed under the Companies Act, 2013, IRDA guidelines or any other law or as may be delegated by the Board from time to time.

V. Criteria for determining qualifications, positive attributes of Directors and senior management

1. Appointment criteria, qualifications and positive attributes

- a) 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.
- b) 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.
- c) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- d) Actively update their knowledge and skills with the latest developments in Financial Industry, market conditions and applicable legal provisions
- e) Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities
- f) Ability to develop good relationship with other colleagues and contribute to the long term strategy of the Company.
- g) There shall be a female Director on the Board of the Company in accordance with the provisions of the Companies Act, 2013

2. Term / Tenure of Directors:

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

The Company shall appoint or re-appoint any person as its Managerial Person for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

Independent Director

The Independent Directors can be appointed by the general meeting upto a term of five consecutive years. The Independent Directors cannot hold more than two consecutive terms.

3. Removal:

Due to reasons for 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 or any member of Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

4. Retirement/ Superannuation :

The Director, Key Managerial Personnel and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the

Company. The Board will have the discretion to retain the Director, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

The retirement/superannuation age of the employee is 60 years.

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

The duration of extension shall be determined taking into account major projects in which employee has key role and where continuity is essential.

The maximum duration of the first extension beyond retirement is three years. Thereafter a new application is made for a further period of upto 2 years.

VI. Remuneration Policy

This Remuneration Policy outlines the terms and conditions for the employment and remuneration of Aegon Life Key Management Personnel. The Policy will be reviewed every year by the Nomination & Remuneration Committee of the Company. Any proposed material changes to the Policy will be put up for adoption to the Board of Directors of the Company. The Remuneration Policy will ensure that the interests of Key Management Personnel 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.

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 Performance Linked Variable pay (PLVP). The Fixed Pay and PLVP will be termed as Total pay. In addition to above the MD & CEO will be eligible for Long term incentive plans. Following parameters will be taken into account for risk adjustments:

1. 13 M Persistency
2. First year business achievement (Weighted Received Premium)
3. Expense gap ratio
4. Customer NPS, Satisfactory audit ratings
5. Claim Settlement

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

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 and market benchmarks.

Performance Linked Variable pay

The Performance Linked Variable pay is given considering the individual performance and overall Company performance.

In case the PLVP is greater than 50%, of the Total Pay, then 40% of such PLVP shall be deferred for a period of 3 financial years (vesting period) and shall make the disbursement at the beginning of 4th financial year i.e April/May.

For e.g, If the variable payout for the FY 2016-17 is greater than 50% of the Total Pay, then 60% of the variable payout will be done in April/May 2017 and 40% of the Variable payout will be made at the beginning of April/May 2020.

The deferred amount will be clawed back if the Company achieves less than 70% of the overall approved business plan in two of the three financial years during the vesting period.

Severance pay

The Company will not pay severance pay to the MD & CEO without prior approval from NRC, Board and IRDA. The severance pay, if any does not include notice period pay.

For KMPs (excluding MD & CEO), Senior Management Personnel and other employees :

- a. The remuneration of Key Managerial Personnel and other members of the Board shall be governed as per provisions of Companies Act, 2013, and rules made there under or any other enactment for the time being in force and Company policy on remuneration. The remuneration including annual performance incentive and other perquisites of other employees of the Company will be approved by Managing Director & Chief Executive Officer.
- b. The KMP and Senior Management Personnel shall be eligible to a monthly remuneration and annual performance incentive, other long-term, short-term incentives as may be approved by the Board on the recommendations of the Committee. The breakup of the remuneration and quantum of perquisites etc. shall be decided and approved by the Managing Director & Chief Executive Officer of the Company.

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).

Variable Pay including long-term incentive plans

The performance linked variable pay aims to reward eligible employees based on pay for performance principle. It is not a guaranteed element of pay and is based on performance of individual and the performance of the company. Variable pay is expressed as % of Total Fixed pay.

The objective for Long term incentive plans (LTIP) is to attract, motivate and retain critical talent and high performers. LTIP is granted to eligible employees of the

Company based on their relative position, performance, future potential and length of the service with the Company.

2. The duties of the committee in relation to remuneration matters include:

- a. To ensure that the level and components of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior Management of the quality required to run the Company successfully.
- b. The trend prevalent in the Insurance industry, nature and size of business is kept in view and given due weightage to arrive at a competitive quantum of remuneration.
- c. Remuneration packages should 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. Provisions of law with regards to making payment of remuneration, as may be applicable, are complied.

VII. Minutes of the Meeting

Proceedings of all meetings must be recorded and signed by the Chairperson of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.

VIII. Review and Amendment

- a) The NRC or the Board may review the Policy as and when it deems necessary
- b) The Policy may be amended or substituted by the NRC or by the Board as and when required.
- c) The policy will be reviewed annually by the Nomination & Remuneration Committee. Any changes in the policy will be approved by the Board.