



*Milkar life aage badhain*

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# Compensation Policy



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## Document Control:

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Reviewed By	Shishir Agarwal
Approved By	NRC and Board of Directors

## Revision History:

Version	Date	Author	Review/ Comments
1.2	May 25, 2021	Human Resources	Revised market positioning for CEO-2 and approval matrix for adhoc salary increases

### 1. Policy Scope

This Compensation Policy (the "Policy") applies to all full-time employees excluding the Managing Director & CEO, and Whole Time/Executive Directors of PNB MetLife India Insurance Co. Ltd. (hereinafter referred to as "PNB MetLife" or "the Company"). This Policy establishes the minimum standards for compensation for such employees and is as per the applicable provisions of the Companies Act, 2013 and the applicable IRDAI Guidelines.

### 2. Purpose and Overview

This policy describes the standards governing PNB MetLife's compensation practices which are intended to be consistent based on Accountability, Alignment and Differentiation and linked to the Company's Rewards Philosophy. The intent of these guidelines is to define principles that govern the compensation positioning, structuring and other processes related to compensation.

### 3. PNB MetLife's Compensation Philosophy

- Provide competitive Total Compensation opportunities that will attract, retain, engage and motivate high-performing employees
- Align Company's compensation plan with its short and long term business strategies
- Align the financial interest of the Company's employees with those of its shareholders through long term incentive plans either by way of cash or equity
- Reinforce Company's Pay for Performance culture by making a material portion of Total Compensation variable, and differentiating awards based on Company and individual performance

### 4. Principles of PNB MetLife's Compensation Program

The key principles guiding the design of the Company's compensation program are as follows:

- **Performance:** Rewards are linked to organizational goals and objectives and individual performance with an upside or downside based on level of performance
- **Values:** Rewards are also linked to how employees go about their work or, more specifically, their demonstration of the PNB MetLife Values which are essentially the behaviours expected of the company's employees.
- **Market aligned:** Reward opportunities are competitive with the external labour market in order to ensure parity. Market analysis should involve comparing jobs in the Company to similar jobs in similar companies in a recognized market survey facilitated through a reputed consulting firm.
- **Internal Equity:** Reward opportunities are internally equitable, subject to the individual's experience, performance and other relevant factors and also criticality and relevance of the position held.
- **Prudent Risk:** Rewards, particularly in the form of incentive compensation, must not encourage excessive risk and should be based in part on the long-term performance outcomes of risks taken. Risk should always

be taken within approved policies, limits and Organisation's ability to effectively identify and manage such risk.

The consistent application of these design principles enables PNB MetLife to develop compensation programs that are reasonable, balanced and effectively attract, retain, motivate and engage employees who strive to achieve the mission, goals and objectives of PNB MetLife in a way that is compatible with effective risk management controls.

PNB MetLife is an Equal Opportunity Employer and does not discriminate in its compensation decisions or any other employment action based on gender, race, colour, national origin, age, religion, disability, sexual orientation or any other characteristic protected under law.

## 5. Components of our Rewards program

The rewards program includes the following components:

### 5.1. Base Salary & Other Allowances

### 5.2. Retirals

**5.3. Benefits:** Including but not limited to Club Membership, Group Mediclaim, Group Term Life, Personal Accident etc.)

**5.4. Variable Pay:** Serves as a vehicle to motivate employees to achieve strong annual business results and contribute to company's long term success. The annual bonus pool for non-Sales roles on company performance weightage will be determined by PNB MetLife's performance in accordance with pre-defined metrics as approved by NRC. Variable payouts are designed to reward differentiated levels of performance and contribution of employees, measured against their achievement of annual performance targets.

**5.5. Long Term Incentive (LTI) :** To encourage decisions and reward performance that contribute to the long term growth of the company's business and enhance shareholder value. The Grant and payout under an LTI plan (either cash or equity), should be based on metrics that help long term value creation for the organisation and eligibility for CEO minus levels as approved by NRC.

**5.6. Sales Incentive:** Defined as total variable compensation for PNB MetLife's sales employees. Sales incentives is a key enabler of the organisations sales plan and helps motivating the right behaviors in successfully implementing the business strategy

**5.7. Joining / Deferred Bonus –** To be considered selectively for new joinees to offset loss of bonus in their current organisation and / or to ensure retention for certain period of time from joining with a claw back condition. Approval basis Delegation of Authority as approved by Board.

**5.8. Retention grants –** Grants under any retention program, if any, to be given judiciously and selectively basis criticality of role / individual and considering long term potential within the organisation. For Key Managerial Persons (KMPs), all grants have to be approved by NRC and for other employees, a joint decision to be taken by the CEO and CHRO.

## 6. Compensation Review

The compensation revision process should be, first and foremost, governed by the Company's ability to reward in any given year which is determined by the overall Company performance for the year. At an individual level, the increment process should aim to reward employees for the value of their contribution in achieving functional/ team goals, in line with organizational objectives for the given year. Further, it is advised that differentials are built into the reward system to clearly distinguish between 'high' and 'average' performers.

For KMPs, based on the Corporate Governance guidelines laid down by the IRDAI, this policy to also ensure that the level and composition of compensation is reasonable and sufficient to attract, retain and motivate KMPs of the quality required to run the Company successfully; relationship of compensation to performance is clear and meets appropriate performance benchmarks; and compensation to KMPs involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

In addition to merit increases linked to performance, the Company may also choose to offer increases linked to promotion as well as market correction increases to correct the positioning of performing employees. The process of compensation increases should be based on market benchmarking of salaries with companies in the same industry and PMLI benchmarking all their positions at CEO minus 3 level and below with 50<sup>th</sup> percentile of market and upto CEO -2 at Grade 13 & above (including KMPs) at 66<sup>th</sup> percentile of market. In a situation

where any position in PMLI is heavier as compared to other companies in the market, a higher percentile positioning can be considered.

Sales team's reward and incentive programmes are designed in a manner that discourages unethical behaviour

## **7. Performance / Talent Management Philosophy and Succession Planning**

PNB MetLife is committed to the success of its associates and helps them thrive in their current roles. The Company is also committed to identify those with potential for advancement and prepare them with the skills and critical experiences necessary to deliver long term sustainable growth. The company's goal is to have A-level talent (best available talent), with Bench (potential to fill more senior roles in the future), Capability (the right critical experiences in the right role at the right time) and Diversity (diversity of background, thought and experience).

## **8. Approving Authority**

Annual Increment Budget: The CEO & Managing Director and CHRO would be the final authority to approve the annual increment budget basis recommendation from the Director - Compensation & Benefits

### **Adhoc Salary increase –**

Upto Grade 12 to be approved by Director – C&B in line with compensation policy

Grade 13 & 14 to be approved by CHRO basis recommendation from Director – C&B

All KMPs – Recommended by CEO and CHRO and approved by NRC

## **9. Regulatory Requirements Specific to Compensation**

Incentive Compensation Award Adjustments: Incentive compensation awards (either cash or equity based) provided to any current or former employee may be reduced prospectively and/or retrospectively in the event of one or more of the following circumstances:

- It is determined that an employee has engaged in conduct, detrimental to PNB MetLife either through direct action or failure to act in carrying out his/her responsibilities;
- There is evidence of a serious breach of internal risk management or compliance procedures on the part of the employee;
- There is evidence of a serious breach of internal risk management or compliance procedure

Disciplinary action would vary depending on the facts and circumstances and may include, without limit:

- Termination of employment;
- Initiating a disciplinary action for breach of fiduciary duty, and/or
- Reducing, cancelling or seeking reimbursement of any paid or awarded compensation.

## **10. Policy Management**

Policy Renewal: The Policy shall be reviewed for renewal every two years and shall be placed before the Nomination & Remuneration Committee / Board for approval.

Policy Ownership: the CHRO, with the support of the C&B Leader, is the owner of the Policy and responsible for the following:

- Policy drafting, revision or modification, as warranted;
- Ensuring Policy implementation by the business;
- Monitoring the resolution of any Policy gaps;
- Review and approval of Policy exemption requests;

## **11. Legal Disclaimer**

Nothing contained in this policy shall convey any right to participate in or receive compensation under any particular compensation program described herein. In the event of inconsistencies between this policy and the underlying plan documents, the CHRO shall determine, at his/her own discretion, the appropriate resolution. The Company reserves the right to modify, amend or withdraw this policy or any of the underlying plans at any time, with or without notice.

In case any clarification is required, employees must contact their HR Business Partner or Compensation & Benefits Team for clarity.