

## Report on Corporate Governance

Corporate Governance is about promoting fairness, transparency, accountability, commitment to values, ethical business conduct and about considering all stakeholders' interests while conducting business. This report outlines the compliance of the Company with the Corporate Governance Guidelines of Insurance Regulatory and Development Authority of India (IRDAI) and the Companies Act, 2013 in so far as it relates to Corporate Governance.

As can be seen from this report, the Company's governance practices and disclosures often go well beyond complying with the minimum statutory requirements stipulated in applicable law.

The various elements of the Corporate Governance framework along with relevant details are described below:

### Philosophy

Corporate Governance is a reflection of principles entrenched in our values and policies and also embedded in our day to day business practices, leading to value driven growth. The commitment of the Company and its promoters to the highest standards of Corporate Governance practices predates the Companies Act and the Insurance regulations. Ethical dealings, transparency, fairness, disclosure and empowered accountability are the main thrust of the working of the Company.

Key elements of Corporate Governance in the Company include the following:

- Seeking to conform to applicable law at all times
- Number of Board meetings more than the statutory requirement, including meeting dedicated to discussing strategy and operating plan
- Board is composed of directors from diverse backgrounds and with substantial experience, who are able to provide appropriate guidance to the executive management as required
- Independent directors with outstanding track record and reputation
- Pre-Audit Committee meetings of Chairperson of Audit Committee with Statutory auditors, Internal auditor and members of executive management who are the process owners
- Separate meeting of independent directors without presence of non-independent directors or executive management
- Confidential Board evaluation process where each Board member evaluates the performance of every other Director, Committees of the Board, the Chairman of the Board and the Board
- Complete and detailed information provided to Board members to enable them to evaluate matters brought to the Board carefully so that discussions are meaningful
- Adoption of governance policies by the Board which are in line with the best practice
- Regular meetings between Company Secretaries of all the group companies in the form of a Governance Council, in order to share the best practices across group companies as well as to arrive at common processes for compliance with regulations

### Board of Directors

In keeping with good governance practice, the Company's policy is to have an appropriate blend of executive, non-executive and independent directors to maintain the independence of the Board and to separate the Board functions of governance and management.

## Composition of the Board of Directors

The Board of Directors consists of 13 Directors which include 4 Independent Directors. The CEO of the Company, as the Managing Director, is executive member of the Board of Directors. All other Directors, including the Chairman, are non-executive Directors.

The Managing Director, who is the only executive director, is a professional with vast experience in insurance and unrelated to the promoters. Two of the Directors are women.

A brief profile of the Directors is as follows:

<b>Name of the Director</b>	<b>Qualification</b>	<b>Field of specialization</b>
<b>Sanjiv Bajaj,</b> Chairman, Non-Executive and Non- Independent Director	Bachelor's degree in Engineering (Mechanical) with distinction from the University of Pune, a Master's degree in Science (Manufacturing Systems Engineering) with distinction from the University of Warwick, U.K. and a Master's degree in Business Administration from Harvard Business School, U.S.A.	He is currently the Chairman and Managing Director of Bajaj Finserv Ltd. He has vast experience in variety of areas in business strategy, marketing, finance, investment, audit, legal and IT related functions in automotive and financial services sectors. He is widely regarded as being among the top business leaders in India's financial services sector.
<b>Ritu Arora,</b> Non-Executive and Non-Independent Director	Post Graduate in Management from S. P. Jain Institute of Management and Research, she completed ICWAI (Institute of Cost and Works Accountants) and is a lady Gold medalist from Osmania University in Bachelor of Commerce (Hons).	She is the CEO and CIO (Asia) and a member of global Allianz Investment Management (AIM) Board. AIM is responsible for investments of Allianz insurance companies worldwide. AIM Asia hub, oversees investments of 20 entities in 11 countries across asset classes: debt, corporates, equities and alternatives. She represents Allianz on the steering committee of G7 Investor Leadership Network. She has over 25 years of leadership experience and been the founding member of two very successful life insurance ventures in India. She was awarded World Women Leadership Achievement Award by World Women Leadership Congress in 2016 and "Woman Leader of Choice" Award by WILL in 2013.
<b>Niraj Bajaj,</b> Non-Executive and Non-Independent Director	Bachelor's degree in Commerce from Sydenham College of Commerce and Economics, Mumbai and a Master's degree in Business Administration from Harvard Business School, U.S.A.	He has been Chairman of Mukand Ltd. since 14 July 2007 and serves as its Managing Director. He is one of the Promoters of the Bajaj Group. He was the President of Indian Merchants' Chamber, Alloy Steel Producer's Association and Indian Stainless Steel Development Association.
<b>Sergio Balbinot,</b> Non-Executive and Non-Independent Director	Degree in Economics and Business Administration from University of Bologna.	He is currently a Member of the Board of Management of Allianz SE and responsible for the insurance business in the countries of Southern and Western Europe and Asia at Allianz SE.
<b>Meleveetil Damodaran,</b> Non-Executive and Non-Independent Director	Graduate with distinction in Economics and in Law from the Universities of Madras and Delhi respectively.	He has in a career spanning over 40 years, worked with the Union and the State governments in India, regulatory bodies, investment institutions, banks, development financial institutions and with the private sector. He has held regulatory and developmental positions in the Government and in India's financial sector, before demitting office as Chairman, Securities and Exchange Board of India. He was elected Chairman of the International Organization of Securities Commissions (IOSCO)'s 80 member Emerging Markets Committee. He was the Chairman of Unit Trust of India and Industrial Development Bank of India, where he successfully led their turnaround efforts.

Name of the Director	Qualification	Field of specialization
<b>Ranjit Gupta,</b> Non-Executive and Non-Independent Director	Fellow of the Institution of Engineering and Technology, London.	He is currently working as President – Insurance, at Bajaj Finserv Ltd. He has rich experience in the automotive and financial services sectors.
<b>Suraj Mehta,</b> Independent Director	Honours Graduate in Economics from Calcutta University.	He has held key management positions in India and abroad with ANZ Grindlays Bank till the year 1994. Thereafter, he was the Chief Executive Officer of Dresdner Bank AG in India and was the Geographic Head for the group's four businesses which included Investment Banking, Securities Broking and Software Development. He was also the Chief Executive Officer of NABIL Bank Ltd., the largest private sector bank in Nepal.
<b>Lila Poonawalla,</b> Independent Director	Bachelor's Degree in Mechanical Engineering from COEP, Pune, Marketing management course at Harvard University, a Senior executive program at Stanford University and a General management program at IMDR Management Institute, Lausanne, besides a Tier III program at IIM Ahmedabad.	She is the Chairperson of Lila Poonawalla Foundation and also former Chairperson and Managing Director of Alfa Laval-Tetra Pak India. She was the Chairperson of the Board of Governors of Indian Institute of Technology, Ropar. She has been presented the "Padmashree" award in 1989, Royal order of the Polar star and Royal Order of the Polar Star – Commander 1 <sup>st</sup> Class from the King of Sweden along with numerous other national and international awards.
<b>Anami Roy,</b> Independent Director	Master's degree in Arts and Master of Philosophy.	He is a distinguished former civil servant, having served in the Indian Police Service in Maharashtra and the Government of India for over 38 years. He held a wide variety of assignments both in Maharashtra and the Central Government including Commissioner of Police, Aurangabad, Pune and Mumbai, and retired as Director General of Police, Maharashtra, commanding a 225,000 strong Force. He was appointed as an Advisor to the Governor of Andhra Pradesh when the State was under President's rule in 2014.
<b>Shashi Kant Sharma,</b> Independent Director	Bachelor of Science degree from University of Allahabad, an M. A. in Political Science from Agra University and M. Sc. in Administrative Science and Development Problems from the University of York (the UK).	He served as the Comptroller and Auditor General (CAG) of India from 23 May 2013 to 24 September 2017. Before taking office as the CAG, he was the Defense Secretary, Government of India. He was also the Secretary, Department of Financial Services (Ministry of Finance) and Secretary, Department of Information Technology (Ministry of Telecommunication), in the Government of India. In all, he has over forty years of experience in public policy and management. He was elected by the General Assembly of the United Nations as a Member of UN Board of Auditors in July, 2014, and was chairing the UN Board of Auditors up to September, 2017. He was also active on the Governing Boards of the International Organization of Supreme Audit Institutions and the Asian Organization of Supreme Audit Institutions.
<b>S Sreenivasan,</b> Non-Executive and Non-Independent Director (Please refer note 1)	Bachelor's Degree of Science (Physics, Mathematics and Statistics) from the University of Kerala, a Chartered Accountant, a Cost Accountant, a Chartered Financial Analyst (CFA Institute, Virginia, USA), MBA from the Indian Institute of Management, Calcutta.	He has been the President (Finance) of Bajaj Finserv Limited since September 2011. Since 1 October 2014, he is the Chief Financial Officer of Bajaj Finserv Limited. He has held leadership roles in Bajaj Allianz General Insurance Company Limited (as CFO from July 2004 to September 2010) and Bahrain National Holding Company (a holding company for general and life insurance businesses), overseeing Corporate Finance, Planning, Management, Accounting and Taxation functions. Prior to his tenure at Bahrain National Holding Company, he has worked in the Finance and Accounting departments of Thermax Devilbiss Limited and Bajaj Auto Limited.

Name of the Director	Qualification	Field of specialization
<b>T S Vijayan,</b> Non-Executive and Non-Independent Director (Please refer note 2)	Special Graduate Degree from Kerala University and Diploma in Management.	He had a career spanning over three decades. He was the Chairman of IRDAI and also the Chairman of LIC of India. As the Chairman, IRDAI, he was also there on the Board of Institute of Insurance and Risk Management. He represented the Asian Region on the Executive Committee of the International Association of Insurance Supervisors (IAIS), Basel, apart from being a member of its Technical and Implementation Committees.
<b>Avais Karmali,</b> Non-Executive and Non-Independent Director Alternate Director for Mr. Sergio Balbinot	Master of Science in Actuarial Science from HEC Lausanne Switzerland.	He is currently working at the Allianz SE Board Office responsible for Southern and Western Europe and Asia.
<b>Tarun Chugh,</b> Managing Director & Chief Executive Officer	Engineer from IIT Delhi and MBA from IIM Lucknow.	He has more than 26 years of experience in finance and insurance sector. Prior to joining the Company, he has held several senior positions with a few of the largest life insurers in India.

**Notes:**

1. S Sreenivasan was appointed as Additional Director with effect from 24 September 2020.
2. T S Vijayan, who was appointed as Additional Director with effect from 1 April 2020, held his office till the date of subsequent Annual General Meeting i.e. 17 July 2020 pursuant to section 161(1) of the Companies Act, 2013 and ceased to be Additional Director thereafter.

## Board Meetings

The Board met five times during FY2021 as compared to the minimum statutorily required 4 meetings including one meeting dedicated to strategy, planning and annual budget. The Board meets once in every quarter to, *inter alia*, review the Company's quarterly and annual financial results, regulatory issues, risk, business plans and their implementation, solvency margin, etc. The gap between two consecutive board meetings was less than 120 days as required by law (though the Ministry of Corporate Affairs had relaxed this requirement to 180 days up to 30 September 2020 as a special measure in view of COVID-19 outbreak).

In case of any matter requiring urgent approval of the Board, the approval is taken by passing resolution by circulation.

The Board is provided, on a timely basis, detailed agenda papers in advance of the meetings. The agenda items include, *inter alia*, minutes of previous meetings of the Board and Committees, business reviews, plans and budget, quarterly / annual financial results, financial condition report, bonus to policyholders, investment performance, approval / reviews of company policies, formation / reconstitution of Board Committees, etc.

The Company on an ongoing basis endeavors to keep all the Directors abreast of the industry in which Company operates, business models, risk metrics, mitigation and management, governing regulations, information technology including cyber security, their roles, rights and responsibilities and major developments and updates on the Company, etc. During the year under review, the Directors were updated extensively at the Board and Risk Management Committee meetings on impact of COVID-19, risks arising out of it and countermeasures. During the year, the Company had organised a separate session for the Directors to apprise them of the digital innovation initiated by the Company to improve its customer experience in sales and service delivery. Independent Directors participated in orientation programme conducted by National Insurance Academy, Pune.

Directors have separate and independent access to officers of the Company. The Independent Directors, in their meeting held on 14 January 2021, have expressed satisfaction on the quantity, quality and timeliness of the information supplied to the Board.

## Board Meetings held during FY2021

The Board of Directors met five times during FY2021 on 15 May 2020, 17 July 2020, 16 October 2020, 15 January 2021 and 11 March 2021. Following table sets out the details of attendance of Directors at the aforesaid Board meetings.

Name of Director	Designation / Status	No. of meetings attended
Sanjiv Bajaj	Chairman, Non-Executive and Non-Independent Director	5/5
Ritu Arora	Non-Executive and Non-Independent Director	4/5
Niraj Bajaj	Non-Executive and Non-Independent Director	5/5
Sergio Balbinot	Non-Executive and Non-Independent Director	4/5
Meleveetil Damodaran	Non-Executive and Non-Independent Director	5/5
Ranjit Gupta	Non-Executive and Non-Independent Director	5/5
Suraj Mehta	Independent Director	5/5
Lila Poonawalla	Independent Director	5/5
Anami Roy	Independent Director	5/5
Shashi Kant Sharma	Independent Director	5/5
S Sreenivasan (w.e.f. 24 September 2020)	Non-Executive and Non-Independent Director	3/3
T S Vijayan (up to 17 July 2020)	Non-Executive and Non-Independent Director	1/2
Avais Karmali	Alternate Director, Non-Executive and Non-Independent Director	1/1
Tarun Chugh	Managing Director and Chief Executive Officer	5/5

## Independent Directors

The Board has 4 Independent Directors with rich and diverse experience in the relevant fields. The Independent Directors conduct a separate meeting pursuant to the provisions of the Companies Act, 2013 to, *inter alia*, discuss the following:

- i) Review of the performance of non-independent directors and the Board as a whole;
- ii) Review of the performance of the Chairman of the Company; and
- iii) Assessment of the quality, quantity and timeliness of flow of information to the Board

Additionally, the Independent Directors periodically meet the statutory auditors separately without presence of management.

## Committees of the Board of Directors: Constitution & Composition

The Board of Directors has committees consisting of Directors having required expertise and experience. The Committees also invite other senior managers to its meetings to seek clarification and, thereby improving the effectiveness. Audit Committee, Investment Committee, Risk Management Committee, Policyholders' Protection Committee, Nomination and Remuneration Committee and With Profit Committee, which are mandatorily required under the Corporate Governance Guidelines, have been constituted in accordance with the requirements set out therein. Further, the Company has also formed Corporate Social Responsibility Committee of the Board of Directors as required pursuant to Section 135 of the Companies Act, 2013.

## Audit Committee

The Audit Committee of the Board of Directors oversees the internal audit function and conducts a detailed review of the internal, concurrent, systems and other audit reports including reports of the statutory auditors whereby detailed management responses and action plans are reviewed. The Committee further reviews periodic financial reporting before submission to the Board, disclosure processes, legal compliances, functioning of the internal financial control framework and the internal audit department and whistle blower and sexual harassment complaints. The Committee also approves and reviews the related party transactions. Statutory auditors attend the meetings of the Audit Committee to present their findings and reports. The Audit Committee is directly responsible for the recommendation of the appointment, remuneration, performance and oversight of the work of the internal, statutory, concurrent and Investment Risk Management Systems and Process (IRMS) auditors. The Audit Committee reviews and sets the internal audit plan for the year. The senior management personnel are invited to the meetings of the Audit Committee for providing clarifications on the audit matters, along with the Head of Internal Audit, who presents his report and update on the audit plan to the Committee at every meeting thereof.

The Chairperson of the Audit Committee conducts pre-audit committee meeting about one week before the Audit Committee meeting with the senior management to review the audit observations, action taken reports on previous reports, and regulatory issues, if any.

Lila Poonawalla, Independent Director, is the Chairperson of the Audit Committee with Suraj Mehta, Anami Roy and Shashi Kant Sharma, Independent Directors and Ritu Arora, Sanjiv Bajaj and Ranjit Gupta, Directors, being the other members thereof. All the members of the Audit Committee are non-executive Directors, with majority of them being Independent Directors.

The Audit Committee met four times during FY2021 on 14 May 2020, 16 July 2020, 15 October 2020 and 14 January 2021. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

<b>Name of member</b>	<b>Designation / Status</b>	<b>No. of meetings attended</b>
Lila Poonawalla	Chairperson, Independent Director	4/4
Ritu Arora	Non-Executive and Non-Independent Director	4/4
Sanjiv Bajaj	Non-Executive and Non-Independent Director	4/4
Ranjit Gupta	Non-Executive and Non-Independent Director	4/4
Suraj Mehta	Independent Director	4/4
Anami Roy	Independent Director	4/4
Shashi Kant Sharma	Independent Director	4/4

## Investment Committee

The Investment Committee establishes the investment policy and operational framework for the investment operations of the Company. It periodically reviews the investment performance and the market conditions and recommends the investment policy for approval of the Board of Directors. The information provided to the Committee is rich in content and discussions are extensive on key issues related to performance, risk, regulatory compliance, systems and structure of investment teams.

Sanjiv Bajaj is the Chairman of the Investment Committee with Ritu Arora and Ranjit Gupta, Directors and Tarun Chugh, Managing Director and Chief Executive Officer (MD & CEO), Avdhesh Gupta, Appointed Actuary, Bharat Kalsi, Chief Financial Officer and Sampath Reddy, Chief Investment Officer being the other members thereof.

The Committee met four times during FY2021 on 14 May 2020, 16 July 2020, 15 October 2020 and 14 January 2021. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

<b>Name of member</b>	<b>Designation / Status</b>	<b>No. of meetings attended</b>
Sanjiv Bajaj	Chairman, Non-Executive and Non-Independent Director	4/4
Ritu Arora	Non-Executive and Non-Independent Director	4/4
Ranjit Gupta	Non-Executive and Non-Independent Director	4/4
Tarun Chugh	Managing Director and Chief Executive Officer	4/4
Avdhesh Gupta	Appointed Actuary	4/4
Bharat Kalsi	Chief Financial Officer	4/4
Sampath Reddy	Chief Investment Officer	4/4

## Policyholders' Protection Committee

The Policyholders' Protection Committee of the Board of Directors has the responsibility to put in place proper procedures and effective mechanism to address complaints and grievances of policyholders including those arising out of mis-selling by intermediaries and to ensure compliance with the statutory requirements relating to servicing of policyholders. It reviews the Grievance Redressal Mechanism and the status of complaints at periodic intervals. Service turnaround times, status of grievances and their resolution, root cause analysis of complaints, benchmarking with peer group, status of cases in consumer court and ombudsman are some of the matters reviewed on a regular basis.

Sanjiv Bajaj is the Chairman of the Policyholders' Protection Committee with Ritu Arora and Ranjit Gupta, Directors and Tarun Chugh, MD & CEO, being the other members thereof. The Appointed Actuary, Chief Financial Officer and Executive Vice President – Operations and Lila Poonawalla (Customer Representative) are also invited for meetings of the Committee.

The Committee met four times during FY2021 on 14 May 2020, 16 July 2020, 15 October 2020 and 14 January 2021. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

<b>Name of member</b>	<b>Designation / Status</b>	<b>No. of meetings attended</b>
Sanjiv Bajaj	Chairman, Non-Executive and Non-Independent Director	4/4
Ritu Arora	Non-Executive and Non-Independent Director	4/4
Ranjit Gupta	Non-Executive and Non-Independent Director	4/4
Tarun Chugh	Managing Director and Chief Executive Officer	4/4

## With Profit Committee

As required by the IRDAI (Non-linked Insurance Products) Regulations, 2019, the Company has a With Profit Committee of the Board of Directors, with responsibility to make a report to the Board of Directors on appropriateness of methodology of asset share, bonus earning capacity, policyholders' reasonable expectations, etc. as mentioned in the aforesaid regulations.

Lila Poonawalla, Independent Director, is the Chairperson of the With Profit Committee with Tarun Chugh, MD & CEO, Avdhesh Gupta, Appointed Actuary, Navin Iyer, Independent Actuary and Bharat Kalsi, Chief Financial Officer being the other members thereof. Chief Investment officer is also invited for meetings of the Committee.

The Committee met twice during FY2021 on 4 May 2020 and 23 March 2021. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Designation / Status	No. of meetings attended
Lila Poonawalla	Chairperson, Independent Director	2/2
Tarun Chugh	Managing Director and Chief Executive Officer	2/2
Navin Iyer	Independent Actuary	2/2
Avdhesh Gupta	Appointed Actuary	2/2
Bharat Kalsi	Chief Financial Officer	2/2

## Nomination and Remuneration Committee

Pursuant to Section 178 of the Companies Act, 2013, the Company has formed the Nomination and Remuneration Committee, with responsibility to identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, to formulate the criteria for determining qualifications, positive attributes and independence of a Director, to specify the manner for effective evaluation of performance of the Board, its committees and individual directors and review its implementation and compliance, recommendation of remuneration policy for Directors, key managerial personnel and other employees, etc.

Lila Poonawalla, Independent Director, is the Chairperson of the Committee with Suraj Mehta and Anami Roy, Independent Directors, Sanjiv Bajaj, Ritu Arora and Ranjit Gupta, Directors being the other members thereof.

The Committee met four times during FY2021 on 14 May 2020, 16 July 2020, 24 September 2020 and 14 January 2021. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Designation / Status	No. of meetings attended
Lila Poonawalla	Chairperson, Independent Director	4/4
Ritu Arora	Non-Executive and Non-Independent Director	4/4
Sanjiv Bajaj	Non-Executive and Non-Independent Director	4/4
Ranjit Gupta	Non-Executive and Non-Independent Director	4/4
Suraj Mehta	Independent Director	4/4
Anami Roy	Independent Director	4/4

## Corporate Social Responsibility (CSR) Committee

Pursuant to Section 135 of the Companies Act, 2013, the Company has formed the Corporate Social Responsibility Committee, with responsibility to formulate and monitor CSR policy of the Company, recommend the amount of expenditure to be incurred on CSR activities, approve the projects for CSR activities, etc. The CSR team provides updates on various projects to the Committee.

Sanjiv Bajaj is the Chairman of the Corporate Social Responsibility Committee with Ritu Arora and Ranjit Gupta, Directors, Anami Roy, Independent Director and Tarun Chugh, MD & CEO being the other members thereof.

The Committee met three times during FY2021 on 15 May 2020, 16 July 2020 and 15 January 2021. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:



Name of member	Designation / Status	No. of meetings attended
Sanjiv Bajaj	Chairman, Non-Executive and Non-Independent Director	3/3
Ritu Arora	Non-Executive and Non-Independent Director	3/3
Ranjit Gupta	Non-Executive and Non-Independent Director	3/3
Anami Roy	Independent Director	3/3
Tarun Chugh	Managing Director and Chief Executive Officer	3/3

## Disclosure on remuneration of Managing Director (MD) and Key Management Persons

The Company has a Board approved policy on the remuneration structure of the Managing Director / Chief Executive Officer / Whole-Time Director of the Company.

### a) Objectives & Key Features of Company's Remuneration Policy

The objective of the policy is that the remuneration structure and the quantum payable to the MD besides being in compliance with the applicable regulatory requirements should also be competitive in the Insurance industry. The said policy sets out all aspects of the remuneration structure of the Managing Director / Chief Executive Officer / Whole-Time Director of the Company including level and components of remuneration, risk adjustment, claw back, remuneration in case of new appointment and revision of remuneration.

### b) Design & Structure of the Remuneration Process

The Nomination and Remuneration Committee (NRC) considers the size and complexity of the Company for comparison of salary levels prevailing amongst other insurance companies and other comparable companies in financial services like NBFCs, Banks and Mutual Funds etc. Benchmarking is undertaken periodically in order to arrive at an optimum compensation to be recommended to the Board so as to attract and retain the best talent.

### c) Risks adjustment to and linkage of performance with remuneration

The remuneration process considers the current and future risk factors in terms of setting the targets and evaluation criteria as well. Performance criteria, aligned with the annual operating plan, are set covering quantitative measures as well as relevant qualitative and risk factors, based on priorities set by the Board each year.

### d) Elements of Remuneration of MD, other Directors & Key Management Persons

Independent Directors were paid sitting fees of ₹ 1,00,000 per meeting. Independent Directors are also entitled for profit related commission at the rate of ₹ 1,00,000 per meeting of the Board or committee thereof, excluding Corporate Social Responsibility Committee, attended by them, subject to maximum of ₹ 10,00,000 per annum per director which is within the maximum limit (1% of net profits) under the Companies Act, 2013. Other than the MD, no other Director of the Company is entitled to / paid any remuneration (excluding sitting fees and commission as aforesaid) during FY2021, as all other members of the Board are non-executive.

Elements of remuneration package (including incentives) of MD & CEO and Key Management Persons, along with the break-up of amount of remuneration awarded to MD for FY2021 into fixed, variable, etc. is given in the Annexure to this report.

## Enterprise Risk Management (ERM) framework

### Risk objectives

Your Company operates in an environment that is continuously changing due to external pressures to quickly adapt to new regulations and competition developments. Any business strategy entails risk and, in all types of businesses, there is the potential for events and consequences that constitute opportunities for benefit (upside) or threats to success (downside).

At your Company, ERM deals with risks and opportunities to create or preserve value. ERM as a process is ongoing, effected by people (Board of Directors, Management and Employees), applied in setting strategy and across the Company, designed to identify potential events (risks and opportunities) and manage the risks within its risk appetite, to provide reasonable assurance regarding the achievement of the Company's objectives.

Your Company is committed towards managing risks in line with its stated risk appetite through a systematic framework which identifies, evaluates, mitigates and monitors risks that could potentially have a material impact on the value of the organisation or potentially hinder the organisation in achieving its stated business objectives and goals.

The risk management practices are aimed to address one or more of these risk management goals as given below:

- Determine the risk profile/appetite of the Company
- Ensure integration of risk considerations into decision-making processes including promotion of a strong risk management culture supported by a robust risk governance structure
- Determine the relevant processes and strategies for risk management which include identification of risks, ongoing measurement and monitoring of risk exposures and ensuring relevant control or risk transfer
- Develop and monitor mitigation plans for high risk items identified through the self-assessment mechanism carried out by respective business functions, loss events and internal / statutory audit findings
- To ensure adherence to all regulatory mandates as laid down by different regulatory authorities and all critical internal policies/limits
- Proactive and reactive approach to manage fraud
- Minimising reputational risk as identified and assessed as part of a regular assessment and managed on a case-by-case basis

## Risk governance framework

Effective risk management is based on a common understanding of risks, clear organisational structures and comprehensively defined risk management processes. The management establishes and adheres to a risk strategy and associated risk appetite for the Company's business, which is derived from and consistent with the business strategy. There is a defined risk governance framework in place to address the risk management objectives of the Company. The risk governance structure of the Company consists of the Risk Management Committee (RMC) of the Board and the Executive Risk Committee (ERC).

The risk strategy of the Company is to identify actual and potential threats to the Company on a short and long term basis internally and externally. The RMC oversees the functioning of the overall risk management framework of the Company and implementation of the risk management strategy. The RMC has also been vested with the responsibility to formulate, implement, monitor and periodically revise the Asset Liability Management strategy of the Company. The RMC comprises of Sanjiv Bajaj as the Chairman, with Ritu Arora and Ranjit Gupta, Directors and Tarun Chugh, MD & CEO being the other members thereof. The Chief Risk Officer, Chief Investment Officer, Chief Financial Officer and Appointed Actuary are permanent invitees to all meetings of the RMC.

Avdhesh Gupta, Appointed Actuary was appointed as the Interim Chief Risk Officer (CRO) in place of Venkatakrishna Narayana who resigned in September 2019. Later, in March 2020, Avdhesh Gupta was appointed as the Chief Risk Officer on a permanent basis and the application for approval was submitted to the Authority on 31 March 2020. Pending approval from the Authority, the Board of Directors, at its meeting held on 23 April 2021, has appointed Farid Valani as Chief Risk Officer of the Company in place of Avdhesh Gupta.

The RMC met four times during FY2021 on 15 May 2020, 17 July 2020, 15 October 2020 and 15 January 2021. Following table sets out the particulars and attendance of members of the Committee at the aforesaid meetings:

Name of member	Designation / Status	No. of meetings attended
Sanjiv Bajaj	Chairman, Non-Executive and Non-Independent Director	4/4
Ritu Arora	Non-Executive and Non-Independent Director	4/4
Ranjit Gupta	Non-Executive and Non-Independent Director	4/4
Tarun Chugh	Managing Director and Chief Executive Officer	4/4

The supervisory level ERC, convened by the Chief Risk Officer, comprises of various Heads of Departments, which have been identified as the owners of key risks within the Company. They are responsible for implementation of risk management activities including risk mitigation plan within their respective vertical/department. This executive level committee ensures centralised risk monitoring and management. The quorum of the meeting is one-third of the total number of members of the committee. The ERC holds meetings on regular basis generally every quarter. The committee may call for a meeting of the ERC if the needs arise and may invite any person to the meeting.

Covering major categories of assessable risks, independent of the assessment methodology and quantifiability, the risk management framework encompasses practices relating to identification, assessment, monitoring and mitigation of these risks. The overall risks are divided into several categories, which are further subdivided into major sub-categories. While the risk categories remain clearly distinct from each other, at the time of assessment their interdependencies are taken into account.

## Key risks and their mitigation

- Market risk and Asset Liability Management (ALM) risk* arises from unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from financial options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. The risk is mitigated by maintaining a desired mix between debt and equity subjected to investment regulations by IRDAI, setting risk appetite to overall market risk under the strategic asset allocation, active asset management based on the ALM output along with asset and liability duration matching which limits impact of interest rate changes and actions taken to manage guarantee risk.
- Credit risk* or the risk of default of counter parties is sought to be mitigated by setting limits on exposure to asset classes, investee companies, investee company groups and industries. Norms include those prescribed under the Investment Regulations and those set as internal limits based on the risk appetite of the Company, restricting (minimum and maximum) on sovereign and corporate exposures, dealing only with approved counter parties, limiting exposure to high rated debt instruments. The Company also seeks to deal with financially sound reinsurers.
- Liquidity risk* is monitored on a regular basis and mitigations to such risk include asset liability matching methodology which develops optimal asset portfolio maturity structures in business to ensure that cash flows are sufficient to meet liabilities, putting up contingency funding plan in significant stressed scenarios, by timing the cash inflows and outflows through cash flow matching and by maintaining a minimum mix of liquid assets.
- Operational risk* is mitigated by monitoring of controls through assurance activity and information on the operation of the control environment from management, internal audit and risk functions, supported by operational risk and audit registers and first line control logs.
- Insurance / business risk* is sought to be mitigated by analytics driven risk assessment engine at policy underwriting stage to identify potential fraud alerts, periodic reviews of both underwriting and claims processes and its effectiveness to ascertain the mortality and morbidity risk experience, executing business operating plan and having balanced risk and reward plan for mortality, persistency, expenses, new business (mix and volume) and monitoring actuals.
- The Company has a Disaster recovery (DR) site in a different seismic zone along with Disaster Recovery Plan (DRP), a documented Business Continuity Policy (BCP) and a detailed exhaustive Business Continuity Plan to mitigate Business Continuity risk.

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## Certification for compliance of the Corporate Governance Guidelines

I, Rajesh Shanoy, Company Secretary, hereby certify that the Company has complied with the Corporate Governance (CG) Guidelines for Insurance Companies issued by Insurance Regulatory and Development Authority of India (IRDAI), as amended from time to time, and nothing has been concealed or suppressed.

For Bajaj Allianz Life Insurance Company Limited

Date: 23 April 2021  
Place: Pune

**Rajesh Shanoy**  
Company Secretary