

# 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 one 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

As on 31 March 2022, the Board of Directors consisted 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. There are two women Directors.

A brief profile of the Directors is as follows:

Name of the Director	Qualification	Field of specialization
<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 the Chairman and Managing Director of Bajaj Finserv Ltd. holding group company for all the financial service businesses of the Bajaj Group, which is one of the oldest and largest conglomerates of India. Under his leadership, Bajaj Finserv has emerged as one of India's leading diversified financial services companies with solutions across lending, insurance and wealth advisory category. Since April 2013, he has been non-executive Chairman of the Company. He was elected as Chairman of the Confederation of Indian Industry (CII) Western Region for 2019-20. He was also President Designate of CII for 2021-22. He has been honoured with prestigious awards including Economic Times – ET Business Leader of the Year award 2018, Ernst & Young – EY Entrepreneur of the Year award 2017, India Today- Top 50 Power List 2017-18 and Business World – India's Most Valuable CEOs in 2015 & 2016. 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 one of 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 also Chairman of Bajaj Auto Ltd. and Vice Chairman of Bajaj Holdings & Investment Ltd. He is also Chairman of Jamnalal Sons Pvt Ltd and Bachhraj & Company Pvt Ltd. He is one of the Promoters of the Bajaj Group. His career spans more than 35 years. He was the President of Indian Merchants' Chamber, Alloy Steel Producer's Association and Indian Stainless Steel Development Association. A three time All India Table Tennis Champion, has represented the Country for 7 years of which 4 years as Captain. He has been recipient of several prestigious awards including the Arjuna Award, Shiv Chhatrapati Award and Maharashtra Gaurav Puraskar.

<b>Name of the Director</b>	<b>Qualification</b>	<b>Field of specialization</b>
<b>Sergio Balbinot,</b> Non-executive and Non-independent Director	Degree in Economics and Business Administration from University of Bologna. He holds an honorary degree from St. John's University in New York.	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, Asia Pacific and Greece at Allianz SE. He was the Chairman of Insurance Europe from 2011 to 2018. He has held various senior management positions in Generali Group for almost three decades before joining Allianz SE. He was awarded the Order of Merit of the Italian Republic.
<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.
<b>Ranjit Gupta,</b> Non-executive and Non-independent Director	Fellow of the Institution of Engineering and Technology, London, UK	He is currently working as President – Insurance, at Bajaj Finserv Ltd. He has rich experience of more than five decades in manufacturing, 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.

Name of the Director	Qualification	Field of specialization
<b>Shashi Kant Sharma,</b> Independent Director (Resigned w.e.f. 11 April 2022)	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	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 was the first rank in Kerala University in B Sc. (Physics) and featured in the All India Merit list for CA Intermediate and final examinations.	Since 1 <sup>st</sup> October 2014, he is the Chief Financial Officer of Bajaj Finserv Limited, the holding company of the Company. Previously, he has held leadership roles in Bajaj Allianz General Insurance Company Limited (as CFO from July 2004 to September 2010) Bahrain National Holding Company (a holding company for general and life insurance businesses) and Bajaj Finserv Limited (as President Finance) overseeing Corporate Finance, Planning, Management, Accounting and Taxation functions. Prior to his tenure at Bahrain National Holding Company, he has worked in the finance function in Thermax Devilbiss Limited and Bajaj Auto Limited. In his role as CFO of Bajaj Finserv Limited and Director of the Company, he oversees the insurance subsidiaries of Bajaj Finserv Limited. He has over 35 years' experience, including over 3 decades in insurance. His areas of expertise cover a wide gamut of areas including finance, portfolio management, long-term strategy, planning and general management.
<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 and Bachelor of Arts from College of Wooster, Wooster Ohio	He has more than 15 years of experience across audit, risk management and insurance services in Europe and United States of America. He is currently working at the Allianz SE Board Office overseeing business development activities in Southern and Western Europe and Asia since August 2017. He has been appointed as Head of Business Division Western & Southern Europe in September 2021.
<b>Tarun Chugh,</b> Managing Director & Chief Executive Officer (MD & CEO)	Engineer from IIT Delhi and MBA from IIM Lucknow	He is a seasoned industry veteran with over 27 years of experience in financial services industry, and has spent over sixteen years in leadership roles within the Indian life insurance sector with some of the largest life insurers in India. Prior to coming into the life insurance industry, he was an investment banker, where he worked for over a decade. He is a member of Board of Governors of Indian Institute of Management, Sambalpur and Member of the Governing Council of Insurance Information Bureau of India.

## Board Meetings

The Board met five times during FY2022 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.

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 –

- a) 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.
- b) 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.
- c) Non-independent Directors participated in orientation programme conducted by National Insurance Academy, Pune.
- d) A separate session was held to apprise the Directors about the initiatives taken by the Company and the group for sustainable development considering environmental, social and governance factors.

Directors have separate and independent access to officers of the Company. The Independent Directors, in their meeting held on 13 January 2022, have expressed satisfaction on the quantity, quality and timeliness of the information supplied to the Board.

## Board Meetings held during FY2022

The Board of Directors met five times during FY2022, following table sets out the details of attendance of Directors at the aforesaid Board meetings.

Name of Director	Nature of Directorship (Independent /ED/ Non-ED)	Designation	Meeting dated				
			23 April 2021	16 July 2021	20 October 2021	14 January 2022	10 March 2022
Sanjiv Bajaj	Non-Executive Director	Chairman	Present	Present	Present	Present	Present
Ritu Arora	Non-Executive Director	Director	Absent	Present	Present	Present	Present
Niraj Bajaj	Non-Executive Director	Director	Present	Present	Present	Present	Present
Sergio Balbinot	Non-Executive Director	Director	Present	Present	Present	Present	Present
Meleveetil Damodaran	Non-Executive Director	Director	Present	Present	Present	Present	Present
Ranjit Gupta	Non-Executive Director	Director	Present	Present	Present	Present	Present
Suraj Mehta	Independent Director	Director	Present	Present	Present	Present	Present
Lila Poonawalla	Independent Director	Director	Present	Present	Present	Present	Present
Anami Roy	Independent Director	Director	Present	Present	Present	Present	Present
Shashi Kant Sharma	Independent Director	Director	Present	Present	Present	Present	Present
S Sreenivasan	Non-Executive Director	Director	Present	Present	Present	Present	Present
Avais Karmali	Non-Executive Director	Alternate Director*	NA	NA	NA	NA	NA
Tarun Chugh	Executive Director	MD and CEO	Present	Present	Present	Present	Present

\* Alternate Director for Sergio Balbinot

NA - Not Applicable since Mr. Sergio Balbinot was present at the meeting.

## 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 FY2022. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Nature of Directorship (Independent /ED/Non-ED)	Designation	Meeting dated			
			22 April 2021	15 July 2021	19 October 2021	13 January 2022
Lila Poonawalla	Independent Director	Chairperson	Present	Present	Present	Present
Ritu Arora	Non-Executive Director	Member	Absent	Present	Present	Present
Sanjiv Bajaj	Non-Executive Director	Member	Present	Present	Present	Present
Ranjit Gupta	Non-Executive Director	Member	Present	Present	Present	Present
Suraj Mehta	Independent Director	Member	Present	Present	Present	Present
Anami Roy	Independent Director	Member	Present	Present	Present	Present
Shashi Kant Sharma	Independent Director	Member	Present	Present	Present	Present

## 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 and CEO being the other members thereof.

The Committee met four times during FY2022. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Nature of Directorship (Independent /ED/Non-ED)	Designation	Meeting dated			
			23 April 2021	16 July 2021	20 October 2021	14 January 2022
Sanjiv Bajaj	Non-Executive Director	Chairman	Present	Present	Present	Present
Ritu Arora	Non-Executive Director	Member	Absent	Present	Present	Present
Ranjit Gupta	Non-Executive Director	Member	Present	Present	Present	Present
Anami Roy	Independent Director	Member	Present	Present	Present	Present
Tarun Chugh	Executive Director (MD and CEO)	Member	Present	Present	Present	Present

## 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, Sampath Reddy, Chief Investment Officer and Farid Valani, Chief Risk Officer being the other members thereof.

The Committee met four times during FY2022. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Nature of Directorship (Independent /ED/Non-ED)	Designation	Meeting dated			
			22 April 2021	15 July 2021	19 October 2021	13 January 2022
Sanjiv Bajaj	Non-Executive Director	Chairman	Present	Present	Present	Present
Ritu Arora	Non-Executive Director	Member	Absent	Present	Present	Present
Ranjit Gupta	Non-Executive Director	Member	Present	Present	Present	Present
Tarun Chugh	Executive Director (MD and CEO)	Member	Present	Present	Present	Present
Avdhesh Gupta	NA (Appointed Actuary)	Member	Present	Present	Present	Present
Bharat Kalsi	NA (Chief Financial Officer)	Member	Present	Present	Present	Present
Sampath Reddy	NA (Chief Investment Officer)	Member	Present	Present	Present	Present
Farid Valani*	NA (Chief Risk Officer)	Member	NA	Present	Present	Present

\* w.e.f. 23 April 2021

## 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 three times during FY2022. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Nature of Directorship (Independent /ED/Non-ED)	Designation	Meeting dated		
			22 April 2021	15 July 2021	14 January 2022
Lila Poonawalla	Independent Director	Chairperson	Present	Present	Present
Ritu Arora	Non-Executive Director	Member	Absent	Present	Present
Sanjiv Bajaj	Non-Executive Director	Member	Present	Present	Present
Ranjit Gupta	Non-Executive Director	Member	Present	Present	Present
Suraj Mehta	Independent Director	Member	Present	Present	Present
Anami Roy	Independent Director	Member	Present	Present	Present

## 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 ombudsmen 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 and 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. During the year, Lila Poonawalla (Customer Representative) was apprised in detail in a separate session about the initiatives taken by the Company for customer service and grievance redressal.

The Committee met four times during FY2022. Following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Nature of Directorship (Independent /ED/Non-ED)	Designation	Meeting dated			
			22 April 2021	15 July 2021	19 October 2021	13 January 2022
Sanjiv Bajaj	Non-Executive Director	Chairman	Present	Present	Present	Present
Ritu Arora	Non-Executive Director	Member	Absent	Present	Present	Present
Ranjit Gupta	Non-Executive Director	Member	Present	Present	Present	Present
Tarun Chugh	Executive Director (MD and CEO)	Member	Present	Present	Present	Present

## 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 and 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 FY2022, following table sets out the particulars of attendance of members of the Committee at the aforesaid meetings:

Name of member	Nature of Directorship (Independent /ED/Non-ED)	Designation	Meeting dated	
			15 April 2021	22 March 2022
Lila Poonawalla	Independent Director	Chairperson	Present	Present
Tarun Chugh	Executive Director (MD and CEO)	Member	Present	Present
Navin Iyer	NA (Independent Actuary)	Member	Present	Present
Avdhesh Gupta	NA (Appointed Actuary)	Member	Present	Present
Bharat Kalsi	NA (Chief Financial Officer)	Member	Present	Present

## Enterprise Risk Management (ERM) framework

### Risk objectives

Your Company operates in an environment that is continuously evolving owing to external pressures thereby quickly adapting 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 and threats to success (downside).

At your Company, ERM deals with risks and opportunities to create and preserve value. ERM is an ongoing process, effected by people (Board of Directors, Management and Employees) and technology which sets a strategy across the Company, designed to identify potential events (risks and opportunities) and manage the risks thereby providing a reasonable assurance on the robustness of processes and mitigation of threats, whilst the Company endeavours to achieve business 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 / threat on the value of the organisation in addition to 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 mitigation strategy within a predetermined risk appetite for the Company's business, which is derived from and is aligned 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 Management Committee (ERMC).

The risk strategy of the Company is to identify actual and potential threats internal and external to the Company on over a short and long term horizon. 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.

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, Interim Chief Risk Officer.

The RMC met four times during FY2022. Following table sets out the particulars and attendance of members of the Committee at the aforesaid meetings:

Name of member	Nature of Directorship (Independent /ED/Non-ED)	Designation	Meeting dated			
			23 April 2021	16 July 2021	20 October 2021	14 January 2022
Sanjiv Bajaj	Non-Executive Director	Chairman	Present	Present	Present	Present
Ritu Arora	Non-Executive Director	Member	Absent	Present	Present	Present
Ranjit Gupta	Non-Executive Director	Member	Present	Present	Present	Present
Tarun Chugh	Executive Director (MD and CEO)	Member	Present	Present	Present	Present

The supervisory level ERM, 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 ERM holds meetings on regular basis generally every quarter. The committee may call for a meeting of the ERM if the needs arise and may invite any person to the meeting.

Risk management function works in tandem with the defined three lines of defence mechanism, which enables the organisation to appropriately address and manage risks at various levels. 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

1. 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.
2. 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.

3. 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.
4. 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, and fraud prevention which flags off areas where risks are identified supported by operational risk and audit registers and first line control logs.
5. 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.
6. Business continuity risk is mitigated through a Business Continuity Policy and a detailed exhaustive Business Continuity Plan along with Disaster Recovery Plan. The Company has a disaster recovery site in a different seismic zone.
7. Environment, Social & Governance (ESG) related risks are evolving with increased awareness amongst various stakeholders. The Company has initiated the process of identification of ESG risks, their assessment and mitigations. Strategies and necessary controls are being devised to ensure that these risks are appropriately mitigated as they evolve and become relevant.

## 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. None of the Non-Executive and Non-Independent Directors of the Company is entitled to / paid any remuneration during FY2022.

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 FY2022 into fixed, variable, etc. is given in the Annexure to this report.

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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: 22 April 2022  
Place: Pune

**Rajesh Shanoy**  
Company Secretary