

Nomination and Remuneration Policy



Corporate Office:

Narayana Health Insurance Limited
261A, Bommasandra Industrial Area, Anekal Taluk,
Bommasandra Industrial Estate,
Bangalore South, Karnataka
India-560099

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I. Policy on Nomination and Remuneration of Directors and Key Managerial Persons

The Insurance Regulatory and Development Authority of India (IRDAI), vide circular bearing number IRDAI/F&A/GDL/MISC/141/6/2023 dated June 30, 2023 has issued the “Guidelines on Remuneration of Directors and Key Managerial Persons of Insurers” (the “Guidelines”), governing the compensation and remuneration to the members of the Board, Senior Management, Key Persons in Control Functions and other employees of the Insurers, whose actions may have a material impact on the risk exposure of the insurer and should not encourage such individuals, to take inappropriate or excessive risks, especially where performance-based variable remuneration is used.

Pursuant to the abovementioned Guidelines of IRDAI, the Company on its 9th Board Meeting held at the Corporate office of the Company at 261/A Bommasandra, Industrial Area Anekal, Bommasandra Industrial Estate, Bangalore South ,Bangalore-560099, Karnataka, adopts the present “Policy on Nomination and Remuneration of Directors and Key Managerial Persons” (the “Policy”) in supersession of any and all Policy or process subsistent in the Company in this regard. The Policy is formulated under the requirements and the provisions of the Companies Act 2013, read with appropriate IRDAI Prescriptions in this regard to govern Remuneration of Non-Executive Directors, Managing Directors/Chief Executive Officer/Whole time Directors and Key Managerial Persons of the Company.

1. Principles:

The Policy shall establish an effective governance of compensation and sound Remuneration structure for the Officers of the Company, that -

- 1.1. disincentivizes excessive or inappropriate risk taking by such officers;
- 1.2. is harmonious with the long-term interests of the Company;
- 1.3. propagates an environment of healthy corporate culture, organizational objectives, contemporary strategies, and identified risk appetite in the Company;
- 1.4. prevents situations of conflict of interest (that might compromise the integrity and objectivity of such Officers), while appointing any employee or member of its Board or designing the remuneration of the officers of the Company.

2. Objectives:

The Policy, amongst other objectives, primarily intends to ensure:

- 2.1. Effective governance of compensation;
- 2.2. Alignment of compensation with prudent risk taking;
- 2.3. Effective supervisory oversight and stakeholder engagement;

2.4. Safety of interest of policyholders and other stakeholders.

3. Definitions:

- 3.1. **'Board'** Board means the 'Board of Directors', which is the collective body of the directors of the Company, as defined under Section 2 (10) of the Companies Act, 2013.
- 3.2. **'Nomination and Remuneration Committee' or 'NRC':** The Committee Constituted by the Board under operation of section 178 of the Companies Act, 2013, Companies (Meetings of Board and its Powers) Rules, 2014 and Guidelines for Corporate Governance for insurers in India, 2016, for *inter-alia* recommending to the Board on the matters relating to the remuneration for the Directors, KMPs and other employees of the Company.
- 3.3. **'Clawback'** 'Clawback' shall mean the contractual right of the Company, by virtue of which the Company can demand and receive back, the whole or part of any previously paid or vested remuneration to any KMP under circumstances stated under this Policy.
- 3.4. **Commission on Profit:** The Commission payable to the Non-executive Directors as a part of their remuneration in accordance with the Companies Act, 2013 and Rules made thereunder, read with appropriate Prescriptions of the IRDAI. However, such commission on profit for any financial year shall be payable to the Directors subject to the following:
- a. The Company has reported positive profit after tax for the period for which the said commission is proposed to be paid.
 - b. The Board has passed the resolution approving such payment.
 - c. The amount of payment of remuneration in the form of Commission on profit to each of the Non-Executive Directors shall not exceed the limits fixed by IRDAI from time to time.
 - d. Appropriate disclosures with regard to payment of such Commission on Profit are made in the financial statements of the Company for the respective financial year.
 - e. The Company adheres to the prescriptions in this regard under any other law for the time being in force.

- 3.5. **'Company'** **'Company'** shall mean, Narayana Health Insurance Company Limited bearing IRDAI registration number 166, and having its registered office at 258/A Bommasandra, Industrial Area Anekal, Bommasandra Industrial Estate, Bangalore South ,Bangalore-560099, Karnataka.
- 3.6. **'Fixed Pay'** **'Fixed Pay'** shall mean fixed part of any KMP Remuneration, which is reasonable and arrived at taking into account all the relevant factors including responsibilities of the KMP and applicable law for the time being in force. Fixed Pay shall include Basic pay, allowances, perquisites, contribution towards superannuation/retirement benefits and all other fixed items of compensation of such KMP.
- 3.7. **Fixed Remuneration:** A fixed remuneration payable to the Non-Executive Directors irrespective of the profit or loss of the Company during any financial year as prescribed under Part II of Schedule V of the Companies (Amendment) Act, 2020.
- 3.8. **'Independent Director':** **'Independent Director'** is a Non-Executive Director of the Board of the Company appointed under section 150 of the Companies Act, 2013 and the Rules made thereunder.
- 3.9. **IRDAI** IRDAI shall mean, Insurance Regulatory Development Authority of India, constituted under Insurance Regulatory and Development Authority Act, 1999 (IRDAI Act 1999) for overall supervision and development of the Insurance sector in India.
- 3.10. **IRDAI Prescriptions** The Regulations, Guidelines, Circulars, Notifications and directions issued by IRDAI from time to time with specific applicability on the Company or otherwise.
- 3.11. **Malus** Malus shall mean the right of the Company, by virtue of which the Company can forfeit, the whole or part of any unpaid or accrued Variable Pay due to any KMP under circumstances stated under this Policy.
- 3.12. **'Key Management Person'** Key Management Person shall mean the **'Key Managerial Person'** as defined in the IRDAI (Registration of Indian Insurance Companies) Regulations, 2022, and will include:
- a. the members of the core management team of the Company including all Whole-time Directors or Managing Directors or Chief Executive Officer and
 - b. the Functional Heads, one level below the Managing Director or Chief Executive Officer, including the Chief Financial Officer, Appointed Actuary, Chief Investment

Officer, Chief Risk Officer, Chief Compliance Officer, and the Company Secretary.

- 3.13. **'KMP Remuneration'** **'KMP Remuneration'** shall mean any money or its equivalent given or passed on to a KMP for the services rendered by him/her as the case may be and shall include Perquisites.
- 3.14. **'Managing Director or 'Chief Executive Officer':** **'Managing Director'** or **'Chief Executive Officer'** of the Company shall mean a Director of the Board of the Company as defined under Section 2(54) and is appointed by operation of section 196 of the Companies Act, 2013, by virtue of the articles of the Company or an agreement with the Board or a resolution passed in its General Meeting, and is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.
- 3.15. **'Non-Executive Director':** **'Non-executive director'** shall mean a Director of the Board of the Company, who is not an Executive Director and includes an Independent Director.
- 3.16. **'Officer of the Company'** **'Officer of the Company'** shall mean Officer as defined under section 2(59) of the Companies Act, 2013 and shall include any Director, Managing Director or Key Managerial Person of the Company.
- 3.17. **'Perquisite'** **'Perquisite'** shall mean Perquisite as defined under the Income-tax Act, 1961 and will include:
- Value of rent-free/accommodation provided by the Company.
 - Value of any concession in the matter of rent respecting any accommodation provided by the Company.
 - Any sum paid by the Company in respect of an obligation which was actually payable by the KMP.
 - Value of any benefit/amenity granted free or at concessional rate to the KMP etc.
 - The value of any specified security or shares allotted or transferred, directly or indirectly, by the Company, free of cost or at concessional rate to the KMP.
 - Any sum payable by the Company, whether directly or through a fund other than a recognized provident fund or an approved superannuation fund to effect an assurance on the life of the KMP or to effect a contract for an annuity.
 - The amount of any contribution to an approved superannuation fund by the Company in respect of the KMP, to the extent it exceeds one lakh rupees; and
 - The value of any other fringe benefit or amenity provided to the Employee.

- 3.18. **'Share Linked Instruments'** Share Linked Instruments for the purpose of this Policy shall mean:
a. Employee Stock Option Scheme (**ESOP**),
b. Employee Stock Purchase Scheme (**ESPS**),
c. Stock Appreciation Rights Scheme (**SARS**)
- 3.19. **'Sitting Fee'**: A fixed sum of remuneration payable by the Company to its Non-Executive Directors against every meeting they attend in the Company in accordance with the Companies Act, 2013 and the rules made thereunder, read with appropriate IRDAI Prescriptions in this regard.
- 3.20. **'Variable Pay'** Variable Pay shall mean the variable part any KMP Remuneration, which shall be either in the form of Cash Benefits and/or in the form of Share Linked Instruments.

Cash Benefits for this purpose shall include incentives, bonus, all share linked benefits, where the ultimate payout is in the form of cash such as CSARs, Phantom Stocks etc..
- 3.21. **'Whole-time Director' or 'Executive Director'** **'Whole-time Director'** or **'Executive Director'** shall mean a director in the Board, appointed under section 196 read with schedule V of the Companies Act, 2013, and who is in employment of the Company on a fulltime basis with entitlement to receive Remuneration.

4. **Effective Date:**

This policy shall be applicable on the date it is adopted by the Board.

5. **Policy on Board Diversity:**

The Board shall be comprised of Directors having expertise in different areas / fields like Finance, Sales and Marketing, Banking, Engineering, Human Resource management, etc. or as may be considered appropriate. In designing the composition of the Board, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge. The Board shall have at least one Board member who has accounting or related financial management expertise and at least one women director.

6. **Conflict of interest:**

The Board recognizes conflict of Interest as one of the significant risks in structuring, implementing and reviewing this Policy. Therefore, the NRC shall carry out necessary examination to identify and prevent circumstances of conflict of interest (that might compromise the integrity and objectivity of such Officers), while recommending appointment of any member of the Board or KMP of the Company or designing their remuneration under this Policy.

In order to ensure that the members of the Board or KMP of the Company are not placed in a position of actual or perceived conflicts of interests, the Board, while structuring, implementing or reviewing this policy or taking any decision under this Policy, shall also examine on the circumstances of conflict of interest before taking any decision or further recommending to the shareholders on appointment of any member of the Board or KMP of the Company or structuring their remuneration, as the case may be, within the ambit of this Policy.

7. Policy Framework:

Keeping in view the difference of risks and responsibilities associated with the roles of the Non-Executive Directors of the Board and the Key Managerial Persons of the Company, the framework of the Policy shall have two distinct parts dealing with their entitlements, remuneration and compensation separately as under:

Part I: Policy on Remuneration of Non-Executive Directors.

Part II: Policy on Appointment and Remuneration of Key Managerial Persons.

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Part I
Policy on Remuneration of Non-Executive Directors.

Non-executive directors of the Company objectively act in the interest of the Company and the stakeholders by overseeing and constructively challenging the management and the Company in its implementation of strategy within the system of governance of the Company and the risk appetite set by the Board. Besides, the Non-Executive Directors of the Company contribute towards ensuring that the Board members achieve their objectives; providing leadership and strategic guidance, while maintaining objective judgment; filling the expertise gap in the management; providing independent view on the running of the business, governance and boardroom best practices. The experiences of non-executive directors from different fields bring in wider perspective and outside experience contributing to the strategic developments of the Company. In view of the increasing demands on participation of non-executive directors coupled with higher responsibilities, non-executive directors are expected to bear in the interest of higher level of excellence in corporate governance and in order to enable Insurance companies to attract and retain professional non-executive directors, it is essential that such directors are appropriately compensated.

1. Policy:

This Policy shall be called the Policy on Nomination and Remuneration of Non-Executive Directors of the Company (NED Policy) and shall be applicable from the Date of adoption of this NED Policy by the Board or the Effective Date.

2. Appointment and Reappointment:

The Board and the shareholders shall carry out appointment or re-appointment of the Non-Executive Directors of the Company through recommendations of the NRC in accordance with this NED Policy and as per the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

2.1. Age Limit:

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

2.2. Term of office:

2.2.1. Term of Office of Non-Executive Directors other than an Independent Director

Other than an Independent Director, the tenure of a Non-Executive Director in the Board of the Company shall be in accordance with the decision of the Board and the Shareholders of the Company and as per the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance

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Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

2.2.2. Term of Office of an Independent Director

An Independent Director in the Board of the Company may be appointed for a term of up to five consecutive years and shall be eligible for re-appointment for the second term on passing of a special resolution in accordance with the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

No Independent Director shall hold office for more than two consecutive terms, beyond a period of 10 years. After completion of 10 years such Independent Director shall be eligible for re-appointment only after a cooling-off period of at least three years in accordance with the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

3. Remuneration:

Remuneration of the Non-Executive Directors of the Company shall Comprise of Sitting Fee, Reimbursement of expenses, Fixed Remuneration, and Commission on Profit etc.. Payment of such Remuneration by the Company shall be governed by the provisions of Companies Act, 2013 and the rules made thereunder, read with appropriate IRDAI Prescriptions in this regard.

3.1. Fixed Remuneration

Each Non-Executive Directors of the Company may be entitled for a Fixed remuneration not exceeding Rs. 5 Lakhs per annum as may be approved by the Board and Shareholders from time to time and in compliance with the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

3.2. Commission on Profit

Non-Executive Directors of the Company may be entitled for Commission on Profit as may be approved by the Board and Shareholders from time to time and in compliance with the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

3.3. Limitation on Payment of Total Remuneration

The total remuneration paid by the Company to any Non-Executive Director of the Board, collectively on account of the above-mentioned Fixed Remuneration and Commission on Profit in any financial year, shall under no circumstances exceed a sum of Rupees Twenty lakh or such sum as may be prescribed by IRDAI from time-

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to-time .

3.4. Sitting Fee and Reimbursement of Expenses

In addition to the Fixed Remuneration and Commission on profit as mentioned in the preceding section, the Non-Executive Directors of the Company shall be entitled to the following:

3.4.1. Sitting fees:

The Company shall pay Sitting Fees to the Non-executive Directors an amount as approved by the Board from time to time within the limits of applicable provisions of Companies Act, 2013 and the rules made thereunder, read with appropriate IRDAI Prescriptions in this regard.

3.4.2. Reimbursement of expenses

Non-Executive Directors of the Company shall be entitled for reimbursement of actual expenses incurred by them to participate in the Board and other meetings of the Company, in accordance with the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

3.5. Prohibition on Equity-linked Benefits

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

4. Remuneration of Chairperson being a Non-Executive Director

Whenever the Chairperson of the Board is a Non-Executive Director, the remuneration payable to such Non-Executive Chairperson shall be governed by the provisions of the Companies Act, 2013 and the rules made thereunder, read with appropriate IRDAI Prescriptions in this regard. In consideration of the same, the permitted modes of remuneration and reimbursement of expenses to the non-executive Chairperson shall be:

- 4.1.** Such fixed payments at such periodicity as may be recommended by the Board, approved by the shareholders from time to time, including:
 - 4.1.1. Maintaining a Chairperson's office at the expense of the Company,
 - 4.1.2. Expenses against travel on official visits and participation in various forums (both in India and abroad) as Chairperson of the Company
 - 4.1.3. Expenses against travel and other expenses and allowances for attending to the duties as Chairperson of the Company.
- 4.2.** Sitting Fee for attending each meeting of the Committees/Board as approved by the Board from time to time within the limits of applicable provisions of Companies Act, 2013 and the rules made thereunder, read with appropriate IRDAI Prescriptions in this regard.

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4.3. Reimbursement of actual expenses incurred by them to participate in the Board and other meetings of the Company, in accordance with the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.

5. Disclosure:

The Company shall make adequate disclosure on the amount of remuneration paid to each Non-Executive/ Independent directors, in the Notes to the Accounts forming part of Annual Financial Statements. In case no remuneration is paid during a year, the same shall also be specifically disclosed. For transparency, the Company may endeavor to present the disclosures under the heads recommended below.

- 5.1. Information relating to the composition and mandate of the NRC.
- 5.2. Information relating to the design and structure of remuneration processes.
- 5.3. Description of the ways in which current and future risks are taken into account in the remuneration processes.
- 5.4. Description of the ways in which the Company seeks to link performance during a performance measurement period with levels of remuneration.

6. Review:

The NRC and the Board shall review the NED Policy:

- a. at least once in every financial year, or
- b. as and when the Board considers it appropriate, or
- c. as and when the underlying laws governing the NED Policy undergoes any change including any relevant change in the Insurance Act, 1938, IRDAI Prescriptions, Companies Act, 2013 and relevant provisions of the Companies Act including applicable rules thereunder.

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Part II

Policy on Appointment and Remuneration of Key Management Personnel

Key Managerial Persons or KMPs play significant roles in the conduct of affairs of the Company and serve the Company as its primary drivers of business and strategy in adherence to all applicable law to meet the expectations of the Board, shareholders, policyholders and all other stakeholders including the Government.

The Company has been committed to the adoption of fair employment, equal opportunity and prudent compensation practices. The approach of the Company to compensation has always been to drive meritocracy within the framework of prudent risk management. Further, the Company upholds the principle of advancement, through talent and performance, while ensuring diversity of workplace through efforts to recruit, develop and retain the most talented people from a diverse resource pool. This Policy is intended to establish a framework and guiding principles for appointment and compensation of the KMPs of the Company that is in harmony with the stated commitments of the Company and confirms to the requirements of law for the time being in force.

1. Policy:

This Policy shall be called the Policy on Appointment and Remuneration of Key Managerial Persons of the Company (KMP Policy) and shall be applicable from the Date of adoption of this KMP Policy by the Board.

2. Scope:

- 2.1. The policy shall govern and administer all aspects of the KMP Remuneration, including but not limited to:
 - a. Fixed Pay including allowances,
 - b. Perquisites,
 - c. Retirement Benefits,
 - d. Variable Pay including incentives,
 - e. Bonus,
 - f. Share Linked Instruments,
 - g. Joining / Sign on bonus, etc.
- 2.2. The NRC shall ensure that every KMP Remuneration adheres to the principles and procedures laid down under this Policy and follows the applicable provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions in this regard.
- 2.3. Further, the NRC, in consultation with the Risk Management Committee of the Board, shall from time to time ensure that:
- 2.4. The KMP Remuneration is adjusted for all types of risk,
 - 2.4.1. KMP Remuneration outcomes are symmetric with risk outcomes,

- 2.4.2. Payment of KMP Remuneration are sensitive to the time horizon of the risk, and
- 2.4.3. The mix of cash, equity and other forms of remuneration are consistent with risk alignment.
- 2.5. Apart from the above, the NRC and the Risk Management Committee of the Board shall from time to time ensure that every KMP Remuneration is risk adjusted through quantitative and qualitative measures of credit, market and liquidity risks.

3. Institutional Performance for determination of Variable Pay and revision of Fixed Pay of the KMPs:

The KMPs being primary drivers of the business and strategy of the Company, their remuneration in terms of Variable Pay has to be harmonious with the performance of the Company. Therefore, the NRC, while considering the Variable Pay for the KMPs of the Company for any given period, shall ensure that such Variable Pay to the KMPs commensurate with the overall performance of the Company during the period. Besides, the same evaluation shall be used by the NRC to form the basis for revision of Fixed Pay of the KMPs. The minimum parameters of institutional performance, which shall be taken into account by the NRC for determination of their Variable Pay of the KMPs for any period or for revision of Fixed Pay shall be:

- 3.1. Overall financial soundness of the Company, such as net-worth position, solvency, Net Profit, etc.;
- 3.2. Compliance status of the Company with respect to requirements under Expenses of Management Regulations;
- 3.3. Claim efficiency of the Company in terms of settlement and outstanding;
- 3.4. Improvement in overall grievance redressal status of the Company over the period previous to the one under assessment;
- 3.5. Reduction in Unclaimed Amounts due to the policyholders of the Company over the period previous to the one under assessment;
- 3.6. Improvement in overall renewal rate of the Company over the period previous to the one under assessment; and
- 3.7. Overall Compliance status of the Company with respect to all applicable laws.

Numeric weightage arrived on the basis of institutional performance on each of the above parameters shall be suitably configured by the NRC for the MD/CEO/WTDs and other KMPs depending on their respective roles. Such numeric weightage shall constitute at least 60% of the total weightage in the performance assessment matrix of MD/CEO/WTDs; and at least 30% of the total weightage in the performance assessment matrix of other KMPs individually.

The deterioration in the financial performance of the Company including the above defined parameters shall lead to a contraction in the total amount of Variable Pay which may even be reduced to zero.

4. Fixed and Variable Pay:

- 4.1. To ensure effective alignment of compensation with prudent risk taking, the NRC will take into account adherence to the risk framework in conjunction with which the financial plan/ targets have been formulated. The KMP Remuneration budget of the Company will be based on projected levels of business and staffing requirements, revenue generation and the other relevant parameters.
- 4.2. The Company will have a judicious and prudent approach to KMP Remuneration and will not use such KMP Remuneration as the sole lever to attract and retain employees. KMP Remuneration will take into account a mix of external market pay and internal equity.
- 4.3. The total compensation will be a prudent mix of fixed pay and variable pay. Fixed pay will include basic pay, allowances, perquisites, contribution towards superannuation/ retirals, and any other form of benefits including reimbursable perquisites with monetary ceilings.
- 4.4. The Variable Pay to any KMP shall be 'performance-based' using measures of individual, unit, or group performance that do not create incentives for inappropriate risk-taking. 'Performance-based incentives' shall be aligned with long-term value creation and the time horizon of risks to which the Company may be exposed. Any variable pay or performance incentive shall be paid/ granted to any KMP only once during a financial year.
- 4.5. The Variable Pay shall be in the form of Share Linked Instruments or Cash Benefit or a mix of Cash Benefit and Share Linked Instruments. The Share Linked Instruments shall include those instruments, which are prescribed by IRDAI. In the event of the institution of SARS and/or ESPS scheme in the Company after obtaining necessary and appropriate approvals, will be treated as Cash Benefit instruments.
- 4.6. The structure of Variable Pay shall be as under:
- 4.6.1 Variable Pay of any KMP shall be at least 50% of the Fixed Pay for the corresponding period and shall not exceed 300% of the Fixed Pay. Where variable pay is up to 200% of the Fixed Pay, a minimum of 50% of the variable pay shall be through grant of ESOPS under the Scheme as may be approved by Board/ Shareholders, as the case may be, subject to approval from IRDAI. The same limit would be 70%, in case the variable pay is above 200% of the fixed pay.
- 4.6.2 A minimum of 50% of the total Variable Pay must invariably be under deferral arrangements and the deferral period shall be a minimum of three years. The first such vesting shall accrue after one year from the commencement of the deferral period. Vesting shall be no faster than on a *pro-rata* basis and shall not take place more frequently than once in a year to ensure a proper assessment of risks before the application of *ex-post* adjustments.
- No deferment of variable pay shall be applied in case the total Variable Pay with respect to any KMP is equal to or less than Rs Twenty-Five lakhs for any given particular year.

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4.6.3 Grant of ESOPs under the the Scheme as may be approved by Board/ Shareholders, as the case may be, subject to approval from IRDAI, as a component of Variable Pay shall be reckoned at the fair value of such ESOPs as on the date of grant.

4.6.4 The total number of ESOPs issued, granted, vested or outstanding under the Scheme at any point of time shall not exceed 5% of the paid- up capital of the Company.

For clearance of doubts in interpretation and classification of Variable Pay under this sub-cluse, the flow diagram annexed to the Policy (**Annexure – A**) may be referred.

4.7. In case of retirement/resignation/death of any KMP prior to the deferral period, the deferred pay may be paid as per the employment contract of the KMP. In case of reappointment on retirement, the deferred pay due at the time of retirement (i.e., prior to reappointment) shall be paid only for the respective years to which it was originally deferred.

4.8. In case of termination of any KMP from the services consequent to a directive or order of any Judicial Authority or any other competent Authorities, or termination by the insurer in case of fraud/criminal offences etc., the deferred pay shall be forfeited in accordance with the provisions of Malus elsewhere delineated in this Policy.

5. Prohibited modes of KMP Remuneration:

5.1. The KMPs of the Company shall not be issued or granted any sweat equity shares.

5.2. Guaranteed bonuses are inconsistent with sound risk management or the pay-for performance principles and hence shall not be part of any remuneration plan.

5.3. The Company shall not grant Severance Pay other than accrued benefits like gratuity, pension, etc., to Key Managerial Persons except in cases where it is mandatory under any applicable provision of the statute. However, it is clarified that Severance Pay does not include notice period pay. Therefore, the Policy does not restrict payment of contractual notice period pay to any KMP upon resignation or termination of services of such KMP, as the case may be.

6. Age and Term of Office of the Managing Director, Chief Executive Officer or any Whole-time Director:

6.1. Subject to the provisions of Companies Act, 2013 read with the rules made thereunder, and the Insurance Act, 1938 read with appropriate IRDAI Prescriptions being in force from time to time, the position of the Managing Director, Chief Executive Officer or any Whole-time Director shall not be held by the same incumbent in the Company for a continuous period of more than fifteen years.

Provided that, the individual shall be eligible for re-appointment as Managing Director, Chief Executive Officer or any Whole-time Director, as the case may be, in the Company, if considered necessary and desirable by the board, after a cooling off period of at least one year, subject to the individual meeting other applicable conditions as set forth by the Board and Shareholders from time to time.

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- 6.2. No person shall continue as Managing Director, Chief Executive Officer or any Whole-time Director, as the case may be, with the Company beyond the age of seventy years.

Provided that the Board and shareholders of the Company may specify an age limit lower than seventy years for the appointment of a person as the Managing Director, Chief Executive Officer or any Whole-time Director of the Company.

- 6.3. In the event, the Managing Director, Chief Executive Officer or any Whole-time Director is appointed by the promoter of the Company, then the incumbent shall not hold the said posts for a continuous period of more than twelve years.

Provided that, the Company in the event, the Board and the Shareholders of the Company requires the incumbent to continue in the office for a period of more than 12 years, the same shall be done subject to necessary approval of the IRDAI. However, even in that case, Managing Director, Chief Executive Officer or any Whole-time Director shall not be eligible to hold office for a collective period of more than fifteen years.

7. Governance of KMP Remuneration:

- 7.1. The NRC shall have the oversight over design, review and implementation of the Policy.
- 7.2. The NRC will be composed of such Non-Executive Directors as may be prescribed under the applicable statutory/regulatory provisions from time to time including the IRDAI (Corporate Governance) Guidelines, 2016 or as considered appropriate by the Board.
- 7.3. The Head or Managing Director or the Chief Executive Officer or the Whole-time Director of the Company shall present the financial and strategic plans for the Company to the Board annually. The financial plan/ targets shall be formulated in conjunction with a risk framework with limit structures for various areas of risk/ lines of business, within which the Company should operate to achieve the financial plan. The NRC shall work in close coordination with Risk Management Committee to achieve effective alignment between compensation and risks.
- 7.4. The NRC shall from time to time define the Key Performance Indicators (KPIs) for the Managing Director, Chief Executive Officer, Whole-time Directors and KMPs of the Company based on the financial and strategic plans approved by the Board. KMP Remuneration shall be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others for the Company.
- 7.5. The NRC shall recommend to the Board for approval of the Fixed Pay, Perquisites, Retirals, Variable Pay that includes Cash Benefits, Non-Cash Benefits and Stock Option Grants for the Managing Director and Chief Executive Officer, whole-time Directors and KMPs of the Company. This will be subject to necessary approvals from the regulators and shareholders, wherever applicable.
- 7.6. The NRC will approve the organizational performance norms for variable pay and assess the achievement against such norms including reviewing credit, market,

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- liquidity risks, material operational risks and various other risks and factor in show cause notices, strictures issued, and penalties levied by IRDAI, if any as well as any internally identified compliance failures. The KMP Remuneration shall be in compliance with all requirements law for the time being in force. Based on such an assessment, the NRC shall recommend Variable Pay to the Board for approval. The NRC may also recommend 'nil' variable pay based on its assessment.
- 7.7. The Managing Director, Chief Executive Officer and the Whole-time Directors of the Company shall be responsible for execution of the KMP Remuneration strategy, practices and plan (covering both Fixed Pay and Variable Pay) for the Company, in line with the KMP Remuneration Policy.
 - 7.8. The Managing Director, Chief Executive Officer and the Whole-time Directors of the Company shall ensure that staff engaged in internal audit, compliance and risk control functions are compensated independent of business areas they oversee, and the compensation of such employees is in line with rest of the Company.
 - 7.9. The Head of Human Resources of the Company shall present the KMP Remuneration Policy for review to the NRC annually.

8. Employee Stock Options

- 8.1. Employee Stock Options (ESOPs/ Options) are and will be a part of the total compensation structure for the KMPs of the Company.
- 8.2. ESOPs, currently governed by the Scheme as may be approved by Board/ Shareholders, as the case may be, subject to approval from IRDAI. as amended from time to time of the Company and in line with Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 to the extent applicable and other applicable regulations, aim at achieving twin objectives of aligning KMP Remuneration to long term interests of the Shareholders as well as retention of high potential employees of the Company. ESOPs aim at aligning the behavior of KMPs to long-term view of the performance of the Company. The Company may grant ESOPs from time to time to the Whole Time Directors, Chief Executive Officers and other KMPs.
- 8.3. The ESOPs will be granted in accordance with the Scheme as may be approved by Board/ Shareholders, as the case may be, subject to approval from IRDAI. , as amended from time to time, and duly approved by the NRC and shareholders, and this Policy.
- 8.4. In terms of the IRDAI Guidelines dated June 2023 on compensation and as matter of practice, the ESOPs granted by the Company shall have a minimum one-year vesting period, and thereafter vesting shall take place (subject to meeting prescribed vesting criteria) as per vesting schedule on an annual basis over three or more years, and follows the no faster than pro-rata basis for vesting. Should the Company and NRC consider other forms of Share Linked Instruments (subject to obtaining necessary and appropriate approvals), it will duly consider applying Retention Period for such other forms of Share Linked Instruments.

- 8.5. The ESOPs shall be fair valued at the date of the Grant, and based on the last closing price of the shares of the Company at a domestic stock exchange having highest volumes on the immediate business day prior to grant.

9. Malus and Clawback:

- 9.1. In the event of a reasonable evidence of deterioration in “Institutional Performance for determination of Variable Pay and revision of Fixed Pay of the KMPs” from one financial year to the next by [■]% or more, the NRC may evaluate the conditions leading to the deterioration, including changes in regulations, force majeure, market conditions, industry performance, economic social or other conditions whether under or beyond the control of the Company or any person and other relevant factors.

In deciding whether to apply Malus/Clawback on part or all or none of the variable compensation of the previous year, NRC may in its evaluation shall have due regard to the principles of proportionality and of reasonable nexus between matters of ability, capability and expertise of the individual(s) versus matters or events outside the control or even nexus of the individual(s) to the events or situations.

- 9.2. In the event of below

- 9.2.1. act of willful or gross misconduct or neglect,
- 9.2.2. the commission of felony, fraud, misappropriation, embezzlement, breach of trust or an offence involving moral turpitude or breach of integrity,
- 9.2.3. gross or willful insubordination, or
- 9.2.4. any other act detrimental to the interest of the Company including and not restricted to violation of Employees Code of Conduct, violation in dealing with Conflict of Interest, violation of law or any other Policy of the Company, failure to discharge fiduciary and regulatory duties, and in respect of which the Company would reserve the right to institute appropriate civil, criminal or other proceedings at the risks, costs and consequences of such individual's (including employees, who were transferred or deputed or resigned),

The NRC (in case of Whole-time Directors/ Chief executive officers) or the Disciplinary Authority, may decide to apply Malus and /or Clawback on part or all of the variable pay including unvested/vested/paid or deferred Variable Pay of the KMPs of the Company. Due process, including inquiries or investigations as required and/or adherence to principles of natural justice shall be ensured prior to conclusion on the above events of breaches and which would form the basis of the decisions. Error of judgment shall not be construed to be a breach under this KMP Policy.

- 9.3. Annual reporting of application of Malus and/or Clawback by the Disciplinary Authority will be made to the NRC for being noted.
- 9.4. Clawback in relation to Share Linked Instruments shall apply on grants made with effect from the Effective Date and for the balance length of service/employment of the

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concerned person with the Company and shall survive the resignation, retirement, early retirement or termination of the concerned person in accordance with this KMP Policy. Similarly, Malus in relation to Share Linked Instruments will apply on grants made with effect from Effective Date.

- 9.5. In relation to bonus grants, effective April 2023, Clawback shall be applied Deferment Period as applicable to Deferred Variable Pay in terms of this Policy applicable for the balance length of service/employment of the concerned person with the Company and shall survive the resignation, retirement, early retirement or termination of the concerned person.
- 9.6. While situations may arise requiring application of Malus and/or Clawback to Officers who may have resigned, retired or taken early retirement or been terminated, the same shall be done basis the given facts and circumstances, and through due legal process for recovery of amounts adjudged for Clawback or as damages suffered by the Company or as recoverable otherwise.

10. Review:

The NRC shall review the KMP Policy:

- a. at least once in every financial year, or
- b. as and when the Board considers it appropriate, or
- c. as and when the underlying laws governing the KMP Policy undergoes any change including any relevant change in the Insurance Act, 1938, IRDAI Prescriptions, Companies Act, 2013 and relevant provisions of the Companies Act including applicable rules thereunder.

11. Disclosure:

The Company shall make adequate disclosure on the amount of remuneration paid to the KMPs of the Company in the Notes to the Accounts forming part of Annual Financial Statements. For transparency, the Company may endeavor to present the disclosures under the heads recommended below.

11.1. Qualitative Disclosures

11.1.1. Information relating to the composition and mandate of the NRC.

11.1.2. Information relating to the design and structure of remuneration processes.

11.1.3. Description of the ways in which current and future risks are taken into account in the remuneration processes, including the nature and type of the key measures used to take account of these risks.

11.1.4. Description of the ways in which the Company seeks to link performance during a performance measurement period with levels of remuneration.

11.2. Quantitative Disclosures

11.2.1. Details of the Remuneration awarded for the Financial year to the

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MD/CEO/WTD mentioning Pay, Allowances and Perquisites, Variable Pay including Share Linked Benefits, Joining Bonus, accrued benefits like gratuity, pension, if any, etc. classifying the same under fixed and variable, deferred and non-deferred as applicable, the remuneration debited to Revenue Account (Policyholders Account), and Profit Loss Account (Shareholders Account).

- 11.2.2. Details of the outstanding deferred Remuneration of MD/CEO/WTD at the end of the Financial Year mentioning name designation, financial year (remuneration pertaining to), nature of remuneration and the amount outstanding.
- 11.2.3. The above disclosure in the note to account shall be made as per the format prescribed under the IRDAI prescription from time to time.

Annexure - A

