

ICICI Lombard General Insurance Company Limited

Framework for appointment of a Director, Key Managerial Personnel, Key Management Persons and Senior Management

The applicable regulatory framework governing the criteria for appointment of a Director, key managerial personnel, key management persons and senior management is as per the Companies Act, 2013 and related rules, Securities and Exchange Board of India (“SEBI”) (Listing Obligations and Disclosure Requirement) Regulations, 2015 (“SEBI Listing Regulations”) and amendments thereto, Insurance Act, 1938, rules/regulations/guideline issued by the Insurance Regulatory and Development Authority of India (“IRDAI”) or any other applicable statutory/regulatory requirements. The Company makes appointments to the Board keeping in view the requirements of these statutes/regulations. This Framework integrates the requirements of the relevant statutes/regulations and the Company’s internal policies and processes.

For the purpose of this Framework, meaning ascribed to the term Key Management Persons is pursuant to IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024. Similarly, meaning ascribed to the term Key Managerial Personnel shall be as defined under the Companies Act, 2013. Both collectively are referred herein as KMPs.

Further, meaning ascribed to the term Senior Management Person (“SMP”) shall be as defined under the Companies Act, 2013 and include those considered as ‘senior management’ pursuant to the definition in SEBI Listing Regulations.

1.1 Formulation of the criteria for determining qualifications, positive attributes and independence of a Director

The criteria for determining qualifications, positive attributes and independence of a Director shall encompass the following:

1.1.1 Requirements as prescribed in IRDAI (Corporate Governance for Insurers) Regulations, 2024 (“IRDAI CG Regulations”) and Master Circular on Corporate Governance for Insurers, 2024 (“Master Circular on CG”)

1. The Board shall comprise of competent and qualified individuals as directors, with qualifications and experience that are commensurate with scale, nature, complexity of business and size of the insurer, from various areas of financial and management expertise such as the lines of insurance business underwritten, actuarial and underwriting risks, finance, accounting, control functions, investment analysis and portfolio management, customer grievance management, law, banking, securities, economics, etc.,
2. The Board of Directors is required to have a significant number of “independent Directors” and Non-executive Directors.

3. The Board of Directors should possess the knowledge of group structure, organisational structure, process and products of the insurer and the Board generally complies with the following requirement:
 - (a) The Board of Directors understand the operational structure of the insurer and have a general understanding of the lines of business and products of the insurer, more particularly as the insurer grows in size and complexity.
 - (b) The Board of Directors of an insurer belonging to a larger group structure/conglomerate should understand the material risks and issues that could affect the group entities, with attendant implication on the insurer.
4. The roles and responsibilities of the Board of Directors and KMPs have been defined in the IRDAI CG Regulations and Master Circular on CG.
5. The Directors of insurance companies shall fulfil the “fit and proper” criteria, at all times, on a continuous basis, as may be specified.
6. The Board Nomination and Remuneration Committee shall scrutinise the declarations of the intending applicants before the appointment/re-appointment and of the KMPs and of directors by the shareholders at the General Meeting.
7. The insurance companies shall also obtain an annual declaration from the Directors/KMPs that the information provided in the declaration at the time of appointment/re-appointment has not undergone any change subsequently and the changes, if any, are appraised by the concerned Director to the Board.

1.1.2 Qualification and definition of Independent Director as defined under Companies Act, 2013, and SEBI Listing Regulations

- (I) Section 149 of the Companies Act, 2013 defines independent director that means a director other than a managing director or a whole-time director or a nominee director,-
 - (a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
 - (b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
 - (c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or

their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

(d) none of whose relatives:

(i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

(ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or

(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of-

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

(II) Regulation 16(1)(b) of the SEBI Listing Regulations provides the definition of the independent director as under:

Independent director" means a non-executive director, other than a nominee director of the listed entity:

(i) who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;

(ii) who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity

(iii) who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;

(iv) who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;

(v) none of whose relatives—

(A) is holding securities of or interest in the listed entity, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two per cent of the paid-up capital of the listed entity, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;

(B) is indebted to the listed entity, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;

(C) has given a guarantee or provided any security in connection with the indebtedness of any third person to the listed entity, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or

(D) has any other pecuniary transaction or relationship with the listed entity, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income:

Provided that the pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

(vi) who, neither himself /herself, nor whose relative(s) —

(A) holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed:

Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.

(B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

(1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or

(2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;

(C) holds together with his relatives two per cent or more of the total voting power of the listed entity; or

(D) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent or more of the total voting power of the listed entity;

(E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;

(vii) who is not less than 21 years of age.

(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director:

Explanation- In case of a 'high value debt listed entity':

(a) which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non- executive directors on its board shall be treated as independent directors;

(b) which is a Trust, mandated to constitute its 'board of trustees' in accordance with the law under which it is established, the non- employee trustees on its board shall be treated as independent directors.

Rule 5 of the Companies (Appointment and qualification of directors) Rules, 2014 provides that an independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

1.1.3. Specific criteria for members of Audit Committee

Section 177 (2) of the Companies Act, 2013 states that the majority of members of Audit Committee including its Chairman shall be the person with ability to read and understand the financial statement.

The Master Circular on CG states that the Chair of the Board should not be a member of the Audit Committee and should be an Independent Director of the Board with an accounting/finance/audit experience and may be a Chartered Accountant or a person with a strong financial analysis background.

1.1.4. Conflict of Interest Framework

A framework for managing conflicts of interest (Framework) was approved by the Board at its Meeting held on April 19, 2010. This Framework also applies to the Directors of the Company.

2.1 Identifying persons who are qualified to become directors, KMPs and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal.

Directors:

Clauses 1.1.1 and 1.1.2 covers the areas of expertise as required to be possessed by a director under the IRDAI CG Regulations and Master Circular on CG, Companies Act, 2013, SEBI Listing Regulations, Insurance Act, 1938, IRDAI CG Regulations, Master Circular on CG, and any other law/requirement/regulations applicable from time to time and the due diligence checks to confirm the fit and proper status would be considered while evaluating candidates to fill vacancies caused in the position of whole-time directors.

The fundamental core attributes which may be considered for the position of an executive director would be proven leadership capability, ability to successfully manage diverse stakeholder relationships and ability to devise and drive the business strategy of the Company with focus on productivity and risk management.

The whole-time directors should have sufficient tenure to enable them to deliver on the long term business strategy of the Company.

Key Managerial Personnel, Key Management Persons and Senior Management:

The Companies Act vide section 2(51) defines "Key Managerial Personnel" (KMP), in relation to a company as;

- (i) the Chief Executive Officer or the Managing Director or the manager;
- (ii) the Company Secretary;
- (iii) the whole-time Director;
- (iv) the Chief Financial Officer;
- (v) such other officer, not more than one level below the Directors who is in whole-time employment designated as Key Managerial Personnel by the Board; and
- (vi) such other officer as may be prescribed;

The Board at its Meeting held on July 17, 2014 had designated the following officials of the Company as "Key Managerial Personnel":

- (i) Managing Director & CEO
- (ii) Whole-time Directors
- (iii) Chief Financial Officer
- (iv) Company Secretary

The Companies Act, 2013 defines "senior management" under the explanation to Section 178 of the Act as personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

Pursuant to Regulation 16(1)(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including amendments thereof, the “Senior Management” shall mean officers / personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the Chief Executive Officer / Managing Director / Whole Time Director / Manager (including Chief Executive Officer / Manager, in case they are not part of the board) and shall specifically include the functional heads, by whatever name called, the Company Secretary and the Chief Financial Officer.

Pursuant to IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024, Key Management Person (KMP) means members of the core management team of an insurer including all whole-time directors/Managing Director (MD)/CEO and the functional heads one level below the MD/CEO, including the Chief Financial Officer, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer and the Company Secretary.

Accordingly, Senior Management of the Company would include:

- WTDs including Managing Director & CEO
- One level below WTDs, and
- functional heads as provided under the rules/regulations/guideline issued by IRDAI

A candidate in order to fulfill the criteria of being appointed in senior management should have proven skills, performance track record, relevant competencies, maturity and experience in handling core functions relevant to an organisation.