



CLASSIFICATION: INTERNAL

BHARTI AXA GENERAL INSURANCE

NOMINATION AND REMUNERATION POLICY

| <u>Version Control</u> | | | |
|------------------------|--------------------|--------------------|---|
| <u>Version</u> | <u>Approved by</u> | <u>Approved on</u> | <u>Key changes</u> |
| Version 1 | Board | May 2015 | New Policy |
| Version 1.1 | Board | November 2016 | Changes to capture IRDAI guidelines issued on 5 th August 2016 on CEO Remuneration |
| Version 1.2 | Board | October 2018 | Annual Review |
| Version 1.3 | Board | May 2019 | Annual Review |

NOMINATION AND REMUNERATION POLICY

1. SCOPE OF APPLICATION

This policy shall come into force with effect from the date of approval by the Board of Directors of the Company and shall be applicable to:

- (a) Non-Executive Directors
- (b) Managing Director / Whole Time Director / Chief Executive Officer / Executive Director
- (c) Key Management Persons (KMP) of the Company

2. KEY OBJECTIVES

This Nomination and Remuneration Policy Statement takes into account Bharti AXA General Insurance Company's business strategy, objectives, risk tolerance, and the long-term interests of its clients, shareholders and employees. In the document below we have sought to ensure that the nomination and remuneration policies and practices at Bharti AXA General Insurance attracts right talent and drives effective risk management and right behaviors that are in the long term interests of both the Company and its shareholders.

The key objectives of Policy are:

- 1.1. To provide the criteria for identification of persons who are qualified to become Directors, Key Management Persons (as defined in point 2.3)
- 1.2. To provide standards for appointment, remuneration and removal of Directors and Key Management Persons and other Senior Management personnel.
- 1.3. To set out the methodology for carrying out performance evaluation of Directors and Key Management Persons
- 1.4. To fix the fee structures and fee levels for Independent Directors.
- 1.5. To approve remuneration plan for employees of the Company;

The Remuneration Philosophy aims to:

- a) attract and retain the best skills and talents by offering competitive packages by differentiating employees on the basis of performance;
- b) foster employee engagement by rewarding fairly and consistently across businesses, teams and individuals;
- c) Strengthening leadership by rewarding performance as the combination of both results and behaviors.

3. DEFINITIONS

- 3.1. **Act means Companies act 2013**
- 3.2. **Director** means a person appointed to the position of a Director on the Board of Director of the Company.
- 3.3. **Guidelines** means IRDAI (Remuneration of Non-executive Directors of Private Sector Insurers) Guidelines, 2016
- 3.4. **Independent Director** means a director referred to in Section 149(6) of the Companies Act, 2013.

- 3.5. **Managing director**” means a director who, by virtue of the articles of a company or an agreement with the Company or a resolution passed in its general meeting, or by its Board of Directors, 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.
- 3.6. **Whole-time director**” includes a director in the whole-time employment of the Company
- 3.7. Key Management Person (KMP) means a person as defined under section 2(51) of the Companies Act 2013 and / or a person defined as a Key Management Person under IRDAI Guidelines on appointment and reporting of Key Management Persons, as amended from time to time.
- 3.8. **Senior Management Person** means persons of the company who are members of its core management team excluding the Board of Directors comprising all members of management one level below the Board, including the functional heads.

4. POLICY

Any proposal for remuneration or increase in remuneration must be submitted in adherence to the Board Nomination and Remuneration Committee (BNRC) and BNRC may recommend the proposal to Board of Directors for their consideration in accordance with this Policy.

Any changes in the Policy on account of regulatory requirements will be reviewed and approved by the Board Nomination and Remuneration Committee and the Board. The Board Nomination and Remuneration Committee / Board will give suitable directions / guidelines to implement in the Policy.

The Policy shall be reviewed yearly by the Board Nomination and Remuneration Committee and the Board of Directors of the Company.

5. APPOINTMENT CRITERIA AND QUALIFICATIONS

5.1. Non-Independent Director and KMP

- 5.1.1. The BNRC shall identify and ascertain the integrity, qualification, expertise, experience, past remuneration of the persons for appointment as Non-Independent Director and KMP or at Senior Management level and recommend to the Board of Directors for their consideration.
- 5.1.2. The BNRC shall exercise due diligence and ensure that the candidate who is proposed to be appointed is ‘fit and proper’ for the position. For all Directors and KMP a ‘fit and proper declaration’ shall be taken from the candidate before appointment.
- 5.1.3. No appointment, re-appointment or termination of appointment of MD/CEO/CTD/ED shall have effect unless such appointment, re-appointment or termination is made with the previous approval of the IRDAI and approval of Board of Directors is obtained.
- 5.1.4. No appointment of Appointed Actuary shall have effect unless such appointment is made with the previous approval of the IRDAI and approval of the Board of Directors is obtained.

5.2. Independent Directors

- 5.2.1. The Committee shall ascertain the qualification, positive attributes and independence of the person for appointment as Independent Director.
- 5.2.2. Independent Directors shall be appointed for their professional expertise in their individual capacity as independent professionals.
- 5.2.3. The candidates shortlisted for the position of Independent directors shall fulfill the criteria laid down by regulatory authorities under the IRDAI's Corporate Governance Guidelines and Companies Act 2013.
- 5.2.4. 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 operation, or other disciplines related to the Company's business.
- 5.2.5. The Committee shall consider the criteria mentioned in section 149(6) of the Companies Act, 2013 as may be amended from time to time, for determining the Independence of Independent Directors.

6. PERFORMANCE EVALUATION OF DIRECTORS

- 6.1. The Committee should consider the following criteria while evaluating the performance of the Directors:
 - a) Attendance of the Board and Committee meetings
 - b) Contribution of the Directors at the Board and Committee meetings
 - c) Quality of interaction at the meetings
 - d) Governance on compliance and risk areas
- 6.2. Such other criteria as may be decided by the Committee
- 6.3. The Committee shall evaluate the performance of directors before considering their re- appointment and shall accordingly recommend the Board for their re-appointment.
- 6.4. The Director whose performance is subject to evaluation and discussion at a particular Committee / Board meeting shall not participate in such meeting.
- 6.5. Separate meeting of Independent Directors shall be held for evaluation of the performance of Board of Directors at least once every financial year.

7. REMOVAL / VACATION OF OFFICE/SUPERANNUATION/RESIGNATION

- 7.1. The Committee shall be taking utmost care and diligence while recommending the appointment of Directors, KMPs and Senior Management Person. However due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Person subject to the provisions and compliance of the said Act, rules and regulations.
- 7.2. The Committee at its discretion may also recommend to the Board for removal of Director, KMPs and Senior Management person due to misconduct, unsatisfactory performance and for such other reasons as the committee deems fit.
- 7.3. Grounds for Removal according to Companies Act, 2013
 - a) If he/she incurs any of the disqualifications specified in section 164
 - b) If he/she absents himself for all the meetings of the Board of Directors held during 12 weeks
 - c) If he/she contravenes provisions of Section 184

- d) If he/she fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested
 - e) If he/she is disqualified by a court of any offence involving moral turpitude and is sentenced to imprisonment for a period of not less than 6 months
- 7.4. The Director KMPs and Senior Management person, unless re-appointed, shall vacate their office on retirement / expiry of their term as per the terms and conditions of their appointment / employment and the applicable provisions, rules and regulations of the Companies Act, 2013 and other applicable laws.
- 7.5. KMPs shall lay down their office on the date of attainment of the age of superannuation as per their Employment Contract or upon the expiry of the term of their appointment.
- 7.6. An Independent Director shall lay down his/her office, unless re-appointed for another term as per the applicable provisions of Companies Act, 2013 and rules thereunder.
- 7.7. A director may resign from his office by giving a notice in writing to the Company and the Board and such resignation of a director shall take effect from the date on which the notice is received or such further date as may be mentioned.

8. TERM AND TENURE

- 8.1. The Managing Director / Whole-time Director / Executive Director may be appointed for a term not exceeding five years at a time.
- 8.2. Independent Directors may be appointed for a term not exceeding five years and shall not be re-appointed for more than 2 consecutive terms of 5 years. The Independent Directors who has completed 2 consecutive terms may be considered for re-appointment after the cooling off period of three years.
- 8.3. Other Directors, KMPs or Senior Management Person(s) may be appointed for such term as the Board may deem fit from time to time.

9. REMUNERATION PRINCIPLES

The remuneration Policy is based on the following key principles:

- 9.1. Simple, consistent and transparent.
- 9.2. Achieving a balance between pay and performance, such that:
 - 9.2.1. fixed pay remains at an appropriate level when considered against the highly competitive market place, ensuring we are able to attract and retain high caliber staff;
 - 9.2.2. and variable pay and incentives provide a strong and demonstrable link between the performance of the Company and/ or other parameters as may be approved by the Nomination & Remuneration Committee.
- 9.3. Total Remuneration is adjusted for all types of risks such as cash, credit and liquidity risks , such that:
 - Remuneration outcomes are symmetric with risk outcomes and sensitive to time horizon of risk
 - Use mix of cash, equity and deferred compensation to be consistent with risk alignment

In setting remuneration levels, the Committee is mindful of the fact that our business operates in a highly competitive market. The Committee takes into account appropriate remuneration data from the relevant market.

10. REMUNERATION OF DIRECTORS

10.1. Independent Directors:

- 10.1.1. As per Section 197 (5) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company can decide on the remuneration to be paid to Directors by way of fee for attending meetings of the Board or Committee thereof.
- 10.1.2. The sitting fees payable to Independent Directors of the Company for attending the Board and Committee meetings will be approved by the Board of Directors of the Company from time to time on the recommendation of Board Nomination and Remuneration Committee.
- 10.1.3. In addition to above, they are entitled to reimbursement of travel and accommodation expenses incurred in connection with attending the Board, Committee and General meetings of the Company.
- 10.1.4. The Independent Directors may, be paid profit related commission, as prescribed under the Guidelines, after Nomination & Remuneration Committees and Board

10.2. Non-Executive Directors:

- 10.2.1. None of the director representing the shareholders of the Company shall be paid any remuneration for attending the Board / Committee meetings of the Company.
- 10.2.2. In compliance with Guidelines, the Board of Directors may approve the remuneration in the form of profit related Commission to the Non-Executive Director's, excluding the Chairman of the Board.

11. REMUNERATION FRAMEWORK

The key elements of our remuneration framework for KMPs and other Senior Management Persons are as below:

11.1. Total Fixed Pay:

- 11.1.1. The Total Fixed Pay for all its employees shall be based, inter alia, the competitive market benchmarking to attract and retain talent
- 11.1.2. It shall be periodically benchmarked to ensure that the pay remains competitive and adequate to attract and retain high caliber talent.

11.2. Variable Pay:

- 11.2.1. There should be proper balance between fixed pay and variable pay. The proportion of variable pay to fixed pay increases with increase in level of responsibility, skill and specialty of function / role.
- 11.2.2. The variable pay can be in the form of cash, deferred cash, stock linked instruments or a mix of these. Appropriate balance between will be maintained between cash and stock/share linked components in the variable pay.
- 11.2.3. The payout against the variable pay opportunity will be calculated based on Company Performance (including group and / or regional performance, as the case may be) as well as Individual performance.

Deterioration in financial performance of the company will generally lead to contraction in the variable remuneration paid. Conversely, if there is an improvement in financial performance of the Company, it may lead to an increase in the variable pay.

- 11.2.4. Wherever applicable, the variable pay will be adjusted for all types of business risks which are an integral part of the KPIs of Senior Management and KMPs. While calculating the variable pay of CEO & MD, due consideration shall be given to the parameters as laid down by IRDAI in the Guidelines.

The variable pay-out to the MD & CEO will be as per the structure approved by the Board on recommendation of Nomination & Remuneration Committee, subject to in conformity with the extant regulatory provisions.

11.3. Total Remuneration:

- 11.3.1. Total Remuneration may comprise of total fixed pay, actual variable pay, perquisites, guaranteed pay, sign on bonus, deferred bonus, one-time payouts, pension plans, gratuity, benefits and superannuation.
- 11.3.2. Total Remuneration does not include ESOPs.
- 11.3.3. If the annual compensation of the CEO is more than 1.50 crore (including all perquisites and bonuses etc.), such excess shall be debited to by the Shareholders' account
- 11.3.4. Any of the following types of compensation may be provided to an MD/WTD/ED/CEO after the approval of Board of Directors subject to the prior approval of IRDAI.
- 11.3.5. The MD/ WTDs / CEO of the Company shall not be paid remuneration by any promoter/investor or group companies of the promoters'/investors'.

11.4. ESOP:

- 11.4.1. ESOP is a widely used instrument to provide employees with stock ownership and align them to long term interest of the company. While ESOP is not part of total remuneration, the extent of ESOPs issued should be reasonable and decided based on affordability of the company.
- 11.4.2. In accordance with the disclosure requirements laid out for financial statements of the company, details of the ESOP granted to the MD & CEO will be disclosed to the regulator.
- 11.4.3. If the ESOPs of Bharti AXA General Insurance are offered to CEO & MD or a WTD, such offer shall be in compliance of the applicable regulatory requirements and the manner of pricing of shares shall be disclosed upfront to the IRDAI.

11.5. Sweat Equity:

If the shares of Bharti AXA General Insurance Co. Ltd. are issued in form of Sweat Equity, then it will be governed by the provisions of the Sweat Equity Regulations issued by SEBI.

11.6. Guaranteed Bonus:

- 11.6.1. In compliance with IRDAI guidelines, guaranteed bonuses will not be part of the compensation structure for MD/CEO/WTD. Hence, the joining or sign on bonus will only form part of the first year compensation package, which may be paid beyond the year of joining.

11.6.2. Sign on / Joining Bonus, Retention Bonus, Deferred bonus, other one-time payouts, may be offered with appropriate claw backs.

11.7. Deferral Pay:

11.7.1. In case of deferral arrangement of variable pay for MD/CEO/MTD, the deferral period should not be less than 3 years.

11.7.2. Remuneration paid under deferral arrangements should vest no faster than on pro rata basis.

11.7.3. In event of any negative trend in the parameters on the basis of which the variable pay has been structured in any year during the vesting period, any unvested/unpaid portions will be clawed back appropriately basis actual/realized performance of the company.

11.7.4. The claw back norms will be driven by observable and verifiable measures of risk outcomes defined for calculation of variable pay

12. SEVERANCE PAY

12.1.1. Without the prior approval of the Board, the Company will not grant any severance pay to MD & CEO other than accrued benefits (gratuity, pension, etc.)

12.1.2. Severance Pay does not include notice period pay.