

EDELWEISS GENERAL INSURANCE COMPANY LIMITED

NOMINATION AND REMUNERATION POLICY

VERSION CONTROL

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1. Introduction

The philosophy for remuneration of Directors, Key Managerial Personnel and employees of the Company is based on the commitment of fostering a culture of leadership with trust. The remuneration policy is aligned to this philosophy.

In accordance with Section 178 of the Companies Act, 2013 and Guidelines on Corporate Governance issued by Insurance Regulatory Development Authority of India (IRDAI) and applicable provisions, the Company is required to constitute Nomination and Remuneration Committee which will report to the Board and have a Board Nomination and Remuneration Policy [‘Policy’] approved by the Board.

Pursuant to the said requirements, the Company has formulated Nomination and Remuneration Policy covering nomination and remuneration of Directors, KMP and Senior Management.

2. Objective

Following factors are being considered while formulating the Policy.

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- c) Remuneration to Executive Directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- d) To have mechanisms in place for effective supervisory oversight and Board engagement in Compensation

3. Definitions

- a) Board – Board of Director of the Company
- b) Director – Directors of the Company
- c) Nomination and Remuneration Committee (“NRC”) – Nomination and Remuneration Committee of the Company constituted by the Board of Directors of the Company in accordance with the Act and applicable rules and/or regulations.
- d) Independent Director – A director referred to in Section 149(6) of the Companies Act 2013 read with rules and/or regulations.
- e) Key Managerial Person (“KMP”): Any officer as prescribed under extant IRDAI Corporate Governance Guidelines 2016 as KMP.

4. Role of the Nomination and Remuneration Committee :

The Role of Nomination and Remuneration Committee (NRC) is as follows:

- a) That NRC may decide upon qualifications, positive attributes and independence of a Director;
- b) That NRC may decide upon manner of effective evaluation of performance of Board, its committee and individual directors;
- c) That NRC may identify persons who are qualified to become Directors and who may be appointed in Senior Management positions;
- d) Recommend to the Board the appointment and removal of Directors and Senior Management;
- e) Carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable;
- f) Perform such other functions as may be necessary or appropriate for the performance of its duties;
- g) The NRC may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate; and
- h) The NRC may Delegate any of its powers to one or more of its members.

5. Guidelines for appointment of employees at Edelweiss General Insurance Company (EGIC).

Educational qualification, experience, skills & competencies as required for performance on the job / responsibilities or as prescribed by relevant regulation / authorities form the bases on which employees are appointed. The preferred but not necessary qualifications for employees at responsible positions for technical functions viz underwriting, claims, reinsurance and investments are given below:

Underwriting & Claims (Corporate products)	Degree / Diploma in Engineering
Underwriting & Claims (Health)	Degree / Diploma in Medicine
Underwriting & Claims (Motor)	Degree / Diploma in Automobile engineering
Reinsurance	Degree / Diploma in Finance or Risk Management
Investments	Degree / Diploma in Finance

Internal movements within functions are also encouraged to develop well rounded insurance professional and overarching intent is to nurture attitude and train for skills.

Qualification requirements for KMP personnel are mentioned below -

S.N o.	Designation	Qualification Requirement
1	Executive Director & Chief Executive Officer	Graduate
2	Chief Financial Officer	Graduate Chartered Accountant
3	Appointed Actuary	Certificate of Practice (COP) from IAI (Institute of Actuaries of India)
4	Chief Human Resources Officer	Graduate
5	Chief Legal & Compliance Officer	Law Graduate
6	Chief Technology Officer	Graduate
7	Company Secretary	Graduate Member of ICSI (The Institute of Company Secretaries of India)

Appointment Requirements

All appointments are done by specified approving authorities and follow the due procedure as prescribed time to time. Employees will need to submit any documents or sign any declarations showing proof of, or declaring compliance to, any rules & regulations of the Company and any statutory or regulatory policies or guidelines. If any information or representation is found to be incorrect or if any material information is detected by the Company to have been suppressed by the employee or any action on the employees; part is found to be in contravention to the terms and conditions of employment or the Company’s Code of Conduct, the Company will have the right to take appropriate action as deemed fit including termination of the employees’ services at any time without notice.

6. Appointment and Removal of Director, Key Managerial Personnel and Senior Management

Upon recommendation of NRC, the appointment of Director(s), Key Management Persons and Senior Management shall be confirmed by the Board of Directors.

- a) Appointment criteria and qualifications of Director, Key Managerial Personnel and Senior Management.
 - i. A person should possess adequate qualification, expertise and experience for the position being considered for appointment. The NRC has authority to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

- ii. The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy (70) years. Provided that the term of the person holding his position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution.

b) Term / Tenure of Director, Key Managerial Personnel and Senior Management.

- i. Chief Executive Officer & Managing Director/Whole-time Director :

The Company shall appoint or re-appoint any person as its Chief Executive Officer & Managing Director for a term not exceeding 5 (five) years at a time.

ii. Independent Director:

- o An Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- o No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.
- o Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

c) Removal

The NRC may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

d) Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

7. Compensation Philosophy

The compensation structure is delivered through a mix of elements that meet the objective of attracting, rewarding and retaining the talent. They are:

- Annual Guaranteed Pay (AGP)
- Benefits
- Performance bonus
- Long-term Pay

Annual Guaranteed Pay (AGP): AGP consists of various salary components including base pay and allowances as applicable to eligible employees. Allowances include a basket of components like HRA, medical allowance, conveyance allowance, leave travel allowance, executive pay, supplementary allowance and any other allowance introduced from time to time. AGP also includes retirals of statutory contributions such as Employer’s contribution Provident Fund and Gratuity.

Benefits: These benefits are provided to applicable employees to supplement rewards and extend to employees certain benefits that meet non-financial and other requirements of employees. Few key benefits are mentioned below:

- Group Health insurance for employees and dependents
- Group term life insurance for employees
- Personal accident insurance for employees

Performance bonus: Variable pay is given in the form of a performance bonus. The payout is a function of overall performance of the company and performance of an individual.

Long-term pay: Long-term compensation (applicable to eligible employees) may be administered either through employee stock options of the Company / the holding Company or deferred cash. Typically, this is a critical element in rewarding middle and senior management of the Company. As a philosophy, long-term compensation is given to:

- To align senior management behavior to long-term view of the Company’s performance
- To create individual stake in Company’s success
- To retain key talent in the Company

Edelweiss General Insurance’s business model and affordability sets the broad boundary conditions in which compensation is administered. The endeavor is to ensure internal equity for talent based on performance rating and future potential i.e. consistent with external market trends.

8. Policy for Remuneration to Directors / KMP / Senior Management Personnel and Employees.

- a) Remuneration to Chief Executive Officer & Managing Director / Whole-time Directors:
 - i. The remuneration of the Executive Director(s) is recommended by the Nomination and Remuneration Committee (NRC) to the Board. Based on the recommendations of the NRC, the Board determines and approves the remuneration of the, subject to necessary approvals, if any.
 - ii. The remuneration paid to the Executive Director(s) is subject to the approval of the Insurance Regulatory and Development Authority of India (IRDAI). The remuneration structure includes fixed salary, perquisites, bonus, other benefits and allowances and contribution to Funds, etc.
 - iii. The Executive Director (s) shall be eligible for stocks options/long term incentive plans under various Employee Benefit Schemes / Plans of the Holding Company from time to time.

b) Remuneration to Non- Executive / Independent Directors:

- i. The Non-Executive / Independent Directors may be paid sitting fees (for attending the meetings of the Board and of Committees of which they may be members) and such other remuneration within regulatory limits. Quantum of sitting fees may be subject to review on a periodic basis, as required. Within the parameters prescribed by law, the payment of sitting fees and remuneration will be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- ii. All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) shall be subject to ceiling / limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.
- iii. An Independent Director shall not be eligible to participate in any share based payment schemes of the Company.
- iv. Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (ii) above if the following conditions are satisfied:
 - The Services are rendered by such Director in his capacity as the professional; and
 - In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

c) Remuneration to Key Managerial Personnel and Senior Management:

- i. The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and variable pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- ii. The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time.
- iii. The Variable pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

d) Remuneration to Employees

- i. The remuneration to employees shall consist of fixed pay and variable pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.

- ii. The Fixed pay shall include monthly remuneration, employer’s contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time.
- iii. The Variable pay shall be decided based on the balance between performance of the Company and performance of the employees, to be decided annually or at such intervals as may be considered appropriate. Such remuneration shall be at par with the industry practice and standards.
- iv. Every employee of the Company adopts a goal sheet, outlining the responsibilities and deliverables for the year.

9. Policy Implementation

The NRC shall be responsible for recommending the Policy to the Board. The Board shall approve basis recommendation and shall oversee the implementation of the Policy.

10. Ownership and Review of Policy:

This Policy is owned by Human Resources team and they have the responsibility to implement and ensure compliance to this Policy. Any deviation to this Policy is to be reported to the Board of Directors of the Company through Nomination and Remuneration Committee of the Company.

This Policy will be reviewed annually by NRC and appropriate recommendations shall be made to the Board to update this Policy based on changes that may be brought about due to any regulatory amendments or otherwise.

The Policy will be reviewed annually with the following objective:

a) Review of the prevalent and emerging trends in the market with specific reference to compensation and benefits

Emerging market trends constitute an important input variable to compensation decisions. It is therefore of prime importance to capture and develop a thorough understanding of the market dynamics with respect to compensation and reward trends. The Company chooses a mix of surveys carried out by chosen vendors and self-initiated surveys.

b) Decision pertaining to annual increments, bonus payout, stock option grants, promotions and benefits at various responsibility levels.

-Increments and promotions: Compensation & benefits for various levels are reviewed periodically on the basis of market data of the relevant comparator group, internal equity considerations and cost budgets of the Company. Individual level compensation and promotion decisions are linked to the performance rating and potential. The overall budgets for increments along with increments at each level are approved by the Nomination and Remuneration Committee and the Board.

-Performance Bonus: Performance bonus is declared at the end of each financial year, based on the performance of the Company and individual performance. The bonus payout grids are approved by the Nomination and Remuneration Committee.

-Grant of stock option: Stock options may be granted based on availability of stock options for grant, organisation performance, individual performance, potential assessment, vintage and any other relevant parameters. The eligibility criteria, maximum number of stock options that may be granted at each level and the grant grid are approved by the Nomination and Remuneration Committee and the Board.

-Long-term pay: Long-term compensation (applicable to eligible employees) may be administered either through employee stock options of the Company / the holding Company or deferred cash. Typically, this is a critical element in rewarding middle and senior management of the Company. As a philosophy, long-term compensation is given to:

- To align senior management behavior to long-term view of the Company’s performance
- To create individual stake in Company’s success
- To retain key talent in the Company

11. Superannuation Age

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The age of superannuation is **60 years** for both - Executives and Non-executives. The age of superannuation may be extended at the sole discretion of CEO.

12. Remuneration of Chief Executive Officer/ Whole-time Director/ Managing Director of Insurers

- Remuneration to the Managing Director, Chief Executive Officer, Key Managerial Personnel should involve an optimal balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals. Any changes in the same should be referred to the Chairman of the Board of Directors, or in his absence, one non-independent director for approval.
- The remuneration and commission shall be in accordance with percentage/ slabs/ conditions laid down in the Articles of Association of the Company, provisions of the Act and as per the Guidelines on Remuneration of Non-Executive Directors and Managing Director/ Chief Executive Officer/ Whole-time Directors of Insurers dated 5th August 2016 issued by IRDAI and such other applicable rules and regulations.

Remuneration shall be –

- i. Adjusted for all types of risk.
- ii. Symmetric with risk outcomes.
- iii. Sensitive to the time horizon of the risk.

iv. Mix of cash and other forms of remuneration so as to be consistent with risk alignment

- Increments including bonuses, incentive and other rewards to the existing remuneration/ compensation structure may be recommended to the Committee to the Board which should be approved by the Shareholders of the Company and / or IRDAI and / or Central Government whichever is required
- **Fixed Pay** – Total fixed portion of remuneration shall be reasonable taking into account all relevant factors

Variable pay composition and deferral –

- There should be proper balance between fixed and variable pay while designing the remuneration arrangements. At higher level of responsibility, the proportion of variable pay may be higher
- The variable pay could be in cash, stock linked instruments or a mix of both. However, ESOPs are excluded from components of variable pay.
- The deterioration of the financial performance of the Insurer should generally lead to a contraction of total amount of variable remuneration paid.
- In case the variable pay including the Performance bonus constitutes 60% of the Total Pay, the variable amount will be deferred for a period of a period not less than 3 years.

ESOP

Esop is kept outside the computation of total remuneration but the extent of ESOP should be reasonable. The details of ESOP granted should also be disclosed in terms of the disclosure requirements stipulated for the financial statements of the Insurers.

In case the shares of the insurance company are offered as ESOPs to Managing Director/ Chief Executive Officer/ Whole Time Directors, then –

- i. If the CEO/ MD/ WTDs is one of the promoters/ investors or directly related to the promoters, then the same will be governed by the provisions of SEBI (Issue of Sweat Equity) Regulations, 2002 as amended from time to time except those relating to pricing of shares. The manner of pricing of shares shall be disclosed upfront to the Authority.
- ii. In other cases, the same will be governed by the SEBI's ESOP Guidelines.

Sweat Equity

In case the shares of the insurance company are issued as Sweat Equity, then the same will be governed by the provisions of the Sweat Equity Regulations issued by SEBI.

Guaranteed Bonus

- Joining/ sign on bonus should only occur in the context of hiring new staff and be limited to first year. However, payment of such bonus may be made beyond the year of joining.
- Severance pay other than accrued benefits (gratuity, pension etc) should be granted with the prior approval of the Board. Severance pay does not include notice pay.

Accounting & renewal of remuneration :

- No revision of remuneration shall be permitted till the expiry of one year from the date of earlier approval.
- In case the annual compensation of the MD/ CEO/ WTDs exceeds Rs. 1.5 Crore (including all prerequisites plus bonuses etc., by whatsoever names), such excess shall be borne by Shareholders' account.
- No remuneration shall be paid to MD/ CEO/ WTDs by any of the promoter/ investor or by the group companies of the promoters' / investors' companies.