



Future Generali India Insurance Company Limited

Nomination and Remuneration Policy

(Version 2)

FUTURE GENERALI INDIA INSURANCE COMPANY LIMITED

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1. INTRODUCTION AND APPLICABILITY

Pursuant to Section 178 of the Companies Act, 2013 read with applicable rules and such applicable regulations issued by the Insurance Regulatory and Development Authority of India (IRDAI) from time to time, the Company is required to adopt a Nomination and Remuneration Policy. This policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP) and Senior Management of the Company has accordingly been formulated by the Nomination and Remuneration Committee in accordance with the provisions of the Companies Act, 2013 read with the provisions of IRDAI (Remuneration on Non-Executive Directors of Private Sector Insurers) Guidelines, 2016 and IRDAI (Remuneration of Chief Executive Officer/Whole-time director/Managing Director of Insurers) Guidelines, 2016 duly approved by the Board of Directors of the Company (“Board”).

This policy shall be applicable to all ‘Key Management Personnel’ and ‘Senior Management Personnel’ of the Company as defined in this Policy.

2. DEFINITIONS

- a. **Key Managerial Personnel:** Key Managerial Personnel as per Companies Act 2013 means—
- (i) Chief Executive Officer or the Managing Director or the Manager;
 - (ii) Company Secretary,
 - (iii) Whole-time director;
 - (iv) Chief Financial Officer; and
 - (v) such other officer as may be prescribed.
- b. The term “**Senior Management Personnel**” as per Companies Act, 2013 means personnel of the company who are members of its core management team excluding Board of Directors comprising of all members of management one level below the executive directors, including the functional heads.

3. OBJECTIVE

The primary objective of the Policy is to provide a framework and set standards for the nomination, remuneration and performance evaluation of the Directors, Key Managerial Personnel and officials comprising the senior management of the Company. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management. The policy also aims to strengthen the Remuneration structure of the Board of Directors of the Company and ensure that all directors are appropriately compensated based on the recognized principles of sound remuneration practices by financial institutions i.e.

- a. Effective governance of compensation – active Board oversight

- b. Effective alignment of compensation to prudent risk-taking
- c. Effective supervisory oversight and engagement by stakeholders

4. ACCOUNTABILITY

- 4.1 The Board is ultimately responsible for the appointment of Directors and Key Managerial Personnel.
- 4.2 The Board has delegated responsibility for assessing and selecting the candidates for the role of Directors, Key Managerial Personnel and the Senior Management of the Company to the Nomination and Remuneration Committee which makes recommendations & nominations to the Board.
- 4.3 The Board acknowledges and recognizes the members of the Board, senior management and KMP who are in control functions whose actions may have material impact on the risk and supervisory oversight in respect of various activities of the Company and accordingly endorses the implementation of a sound remuneration policy covering the Board and the KMPs in line with ICP-7 issued by the International Association of Insurance Supervisors (IAS).

5. NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee would be primarily responsible for:

- 5.1 Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
- 5.2 Identifying individuals suitably qualified to be appointed as the KMPs or in the senior management of the Company;
- 5.3 Recommending to the Board on the selection of individuals nominated for directorship;
- 5.4 Making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Personnel so appointed/reappointed;
- 5.5 Assessing the independence of independent directors;
- 5.6 Such other key issues/matters as may be referred by the Board or as may be necessary in view of the Joint Venture and/or Shareholders Agreement and provisions of the Companies Act 2013 and Rules notified thereunder pertaining to Nomination and Remuneration matters.
- 5.7 To make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;

5.8 Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

5.9 To devise a policy on Board diversity;

5.10 To develop a succession plan for the Board and to regularly review the plan;

5.11 To review and assess the adequacy of the Policy from time to time and perform annual self-evaluation of the performance of the Nomination and Remuneration Committee of the Company.

6. COMPOSITION

6.1 The Committee shall consist of a minimum 3 non-executive directors, majority of them being Independent Directors.

6.2 Minimum three (3) members shall constitute a quorum for the Committee meeting.

6.3 Constitution and Membership of the Committee shall be disclosed in the Annual Report of the Company.

6.4 The Secretary of the Committee shall be the Company Secretary of the Company. The Secretary shall circulate the minutes of meetings of the Committee to all members of the Committee, following their approval by the Chairman of the Committee. Any Director may obtain copies of the Committee's agenda and minutes with the approval of the Chairman of the Committee.

6A. MEETINGS

Meetings can be held as and when deemed necessary by the Committee. However, at least one meeting of the members of the Nomination and Remuneration Committee shall be held in a year.

7. CHAIRMAN

7.1 Chairman of the Committee shall always be an Independent Director.

7.2 Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

7.3 In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

7.4 Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

8. COMMITTEE MEMBERS' INTERESTS

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

9. VOTING

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. APPOINTMENT OF DIRECTORS/KMPS/SENIOR OFFICIALS

10.1 Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP/a level below KMP are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee has regard to:

- a) Assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
- b) The extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
- c) The skills and experience that the appointee brings to the role of KMP/Senior Personnel and how an appointee will enhance the skill sets and experience of the Board as a whole;
- d) The nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;

10.2 Personal specifications:

Degree holder in relevant disciplines;

- Experience of management in a diverse organization; - Excellent interpersonal, communication and representational skills- Demonstrable leadership skills;
- Commitment to high standards of ethics, personal integrity and probity;
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;
- Having continuous professional development to refresh knowledge and skills. For details of the personal specifications refer to the **Annexure A hereto**.

11. LETTERS OF APPOINTMENT

Each Director is required to sign the Deed of Covenant with the Company containing the terms of appointment and the role assigned in the Company.

12. REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

- a. The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, Key Management Personnel and other senior officials.
- b. The Directors, Key Management Personnel and other senior official's salary shall be based and determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed in accordance with the provisions of the Companies Act, 2013 read with the provisions of IRDAI (Remuneration on Non-Executive Directors of Private Sector Insurers) Guidelines, 2016 and IRDAI (Remuneration of Chief Executive Officer/Whole-time director/Managing Director of Insurers) Guidelines, 2016.
- c. The Nominations & Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Officials of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines. The Committee may consult the Chairman of the Board in appropriate cases if it deems necessary. Remuneration of the Chairman shall be recommended by the Committee to the Board of the Company.
- d. The remuneration of **Non-Executive Directors** and the **Whole Time Directors/CEO/MD** shall be determined in strict accordance with the principles and rules laid down in **Annexure B** hereto.

13. NOMINATION DUTIES OF THE COMMITTEE

The duties of the Committee in relation to nomination matters include:

- a) Ensuring that there is an appropriate induction & training programme in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b) Ensuring that on appointment to the Board, Non-Executive and Independent Directors receive a formal letter of appointment in accordance with the provisions of the Companies Act, 2013;
- c) Identifying and recommending Directors who are to be put forward for retirement by rotation.
- d) Determining the appropriate size, diversity and composition of the Board;
- e) Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- f) Developing a succession plan for the Board and Senior Management and

- regularly reviewing the plan;
- g) Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
 - h) Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
 - i) Delegating any of its powers to one or more of its members or the Secretary of the Committee;
 - j) Recommend any necessary changes to the Board.
 - k) Considering any other matters as may be requested by the Board

14. REMUNERATION MATTER(S) RELATED DUTIES OF THE COMMITTEE:

The duties of the Committee in relation to remuneration matters include:

- (i) To consider and determine the Remuneration, based on the principles of (a) Risk Considerations, (b) pay for responsibilities, (c) pay for performance and potential and (d) pay for growth and ensure that the remuneration fixed is reasonable and sufficient to attract, retain and motivate the members.
- (ii) To take into account, financial position of the Company, trend in the Industry, appointee's qualification, experience, past performance, past remuneration, etc.
- (iii) To bring about objectivity in determining the remuneration package while striking a balance between the interest of the Company and the Shareholders.
- (iv) To consider other factors as the Committee shall deem appropriate for elements of the remuneration of the members of the Board and ensure compliance of provisions of Companies Act 2013 and other applicable laws including guidelines/regulations issued by the IRDAI from time to time.
- (v) To ensure that a balance is maintained between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company in the remuneration of Senior Management and Key Managerial Personnel.
- (vi) To ensure that the remuneration fixed and paid to KMPs and Senior Management Personnel of the Company is done in strict compliance with the provisions of the Companies Act, 2013 and other applicable laws including guidelines/regulations issued by the IRDAI from time to time
- (vii) To consider any other matters as may be requested by the Board;
- (viii) Professional indemnity to Directors.

15. GENERAL:

Any or all the provisions of this Policy would be subject to the revisions/ amendments in the Companies Act, 2013 read with the provisions of IRDAI (Remuneration on Non-Executive Directors of Private Sector Insurers) Guidelines, 2016 and IRDAI (Remuneration of Chief Executive Officer/Whole-time director/Managing Director of Insurers) Guidelines, 2016. , Any such amendment shall automatically have the effect of amending this Policy without the need of any approval by the Nomination and Remuneration Committee and/or the Board of Directors at such time.

Annexure A-

Personal Specification for Directors

1. Qualification

- Degree holder in relevant disciplines (e.g. management, accountancy, legal); or
- Recognised specialist

2. Experience

- Experience of management in a diverse organisation
- Experience in accounting and finance, administration, corporate and strategic planning or fund management
- Demonstrable ability to work effectively with a Board of Directors

3. Skills

- Excellent interpersonal, communication and representational skills
- Demonstrable leadership skills
- Extensive team building and management skills
- Strong influencing and negotiating skills
- Having continuous professional development to refresh knowledge and skills

4. Abilities and Attributes

- Commitment to high standards of ethics, personal integrity and probity
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace

ANNEXURE B

REMUNERATION TO NON-EXECUTIVE DIRECTORS

- a. The Non-Executive Directors of the Company shall be entitled to remuneration in the form of profit related commission subject to the Company making profits. It is clarified that such remuneration shall not exceed an amount of Rs 10 lakhs per annum for each such Director (excluding Chairman and Executive/Whole Time Directors)
- b. In addition to the above, the Company shall pay sitting fees to the non-executive directors and also reimburse expenses incurred by them for participating in the Board and other Committee Meetings, subject to compliance with the provisions of Companies Act, 2013.

REMUNERATION TO WHOLE TIME DIRECTORS /CEO/MANAGING DIRECTOR

- a. The remuneration payable to MD/CEO/WTDs shall be subject to principles broadly classified on the basis of risk considerations-
 - i. Remuneration shall be adjusted for all types of risks that are determined by the Company
 - ii. Remuneration outcomes to be symmetrical to the risk outcomes
 - iii. Remuneration payouts are sensitive to the time horizon of risk; and
 - iv. The mix of cash, equity and other forms of remuneration are consistent with risk alignment.
- b. The Company may, in the manner it deems fit, use various measures of risks including credit, market and liquidity risks etc in the implementation of the risk adjustment. The risk adjustment methods may be both quantitative and judgemental in nature and some of the illustrative and indicative parameters that may be taken into account by the Company in line with its Business Plan in this regard are as under –
 - i. Persistency
 - ii. Solvency
 - iii. Grievance Redressal
 - iv. Expenses of Management
 - v. Claim Settlement
 - vi. Claim Repudiations
 - vii. Overall Compliance Status
 - viii. Overall Financial Status such as Net-Worth position of Company, Asset under Management etc.
- c. Types of Remuneration
 - i. **Fixed pay** – The Company to ensure that fixed portion of remuneration is reasonable taking into account all relevant factors

ii. Variable Pay and Deferral

- i. Whilst deciding the Variable pay, it must be ensured that there is a proper balance between portion of fixed and variable pay;
- ii. At higher levels of responsibility, the proportion of Variable Pay can be higher
- iii. Deterioration in financial performance of the Company reviewed along with other applicable parameters as stated above in clause (b)
- iv. The Company must also ensure that when the variable portion constitutes a substantial portion of the total pay, (say 50% or more), an appropriate portion of such variable pay (around 40 to 60% of such variable pay) must be deferred over a period of not less than 3 years. *Substantial Portion for the purpose of this clause shall mean the total proportion of remuneration in all forms including perquisites etc (excluding ESOPs) which is equal to or more than 50 % of the total remuneration payable by the Company.*
- v. A proper balance must be ensured between cash and stock/share components other than ESOP in the variable pay, in case the variable remuneration also contains stock or equity share linked instruments (excluding ESOP)
- vi. In case of deferral in variable pay, the deferral period shall not be less than 3 years. It is clarified that remuneration payable under deferral arrangements should vest no faster than on pro-rata basis.

iii. ESOP – ESOPs shall be kept outside computation of total remuneration and at the same time, the extent of ESOP is to be reasonable. The details of ESOP granted should also be disclosed in terms of the disclosure requirements stipulated for the financial statement of the Company. Any offer of ESOPs to MD/WTD/CEO shall be subject to the applicable SEBI Regulations/Guidelines.

iv. Sweat Equity – In case the Company issues shares in the form of sweat equity, the same shall be governed by the applicable SEBI Regulations/Guidelines

d. CLAWBACK –

- i. In case of deferral remuneration, in the event of any negative trend or performance in any of applicable parameters specified in clause (b) above and/or in any relevant line of business of the Company during the vesting period, any unvested/unpaid portions shall be subject to claw back/recovery by the Company. However, whilst exercising any such action, due consideration shall be given to the actual/realized performance of the Company. The decision of the Board of Directors of the Company in this regard shall be final and the reasons for Clawback/Non-Clawback shall be duly documented with relevant justifications and considerations as decided by the Board.
- ii. The Clawback right stated above may also be enforced by the Company in the event of any disciplinary action initiated against any WTD/MD etc by virtue of breach of

employment terms/contract, which may be done at the sole discretion of the Board of Directors of the Company.

e. Guaranteed Bonus

- i. The Company shall not provide an option of guaranteed bonus to any WTD/CEO/MD since the same would not be consistent with sound risk management or pay for performance principles.
- ii. Any sign on/joining bonus must only be provided in event of new recruitment and shall limited to the first year. Payment of such bonus however may be deferred beyond the year of joining at the discretion of the Company.
- iii. Any such guarantee shall be paid only in the form of ESOPs since payments in cash would create perverse incentives and promote undue risks.
- iv. It is also clarified that the Company shall not grant any severance pay other than the accrued benefits (gratuity pensions etc) to MD/CEO/WTDs without the prior approval of the Board. Also, the severance pay shall not include notice period pay.

f. ANNUAL DISCLOSURES – The Company shall make a disclosure of the following matters on an annual basis in the Annual Report -

i. Qualitative –

- i. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy
- ii. Description of the ways in which current and future risks are taken in to account in the remuneration processes
- iii. Description of the ways in which the insure seeks to link performance during a performance measurement period with levels of remuneration

ii. Qualitative –

- i. Number of MD/CEO/WTDs having received a variable remuneration award during the financial year
- ii. Number and total amount of sign on awards made during the financial year
- iii. Details of guaranteed bonus if any, paid as signing/joining bonus
- iv. Total amount of deferred remuneration paid out in the financial year
- v. Break up of amount of remuneration awarded for the financial year to show fixed and variable, deferred and non – deferred.

g. GENERAL –

- i. No revision in remuneration can be done till expiry of one year from the date of earlier approval
- ii. In case the annual remuneration of MD/CEO/WTDs exceeds Rs. 1.50 crores (including all perquisites plus bonuses etc) by whatever names, such excess shall be borne by the Shareholders Account of the Company
- iii. 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.