



## NOMINATION AND REMUNERATION POLICY

### 1. SCOPE OF APPLICATION

This policy will come into force with effect from the date of approval by the Board of Directors of Bharti AXA Life Insurance Company Ltd. (henceforth referred as “Company”) and will be applicable to:

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

### 2. KEY OBJECTIVES

The underlying objective of this policy is to promote the alignment of remuneration with the long-term interest of the company, avoid excessive risk taking, thereby promoting sound overall governance and in turn safeguarding the interests of its customers.

Following are the key objectives of this policy in adherence to the IRDAI Guidelines:

- i. To provide the criteria for identification of persons who are qualified to become Directors, Key Management Personnel;
- ii. To provide standards for appointment, remuneration and removal of Directors and Key Management Personnel;
- iii. To set out the methodology for carrying out performance evaluation of Directors and Key Management Personnel;
- iv. To fix the fee structures and fee levels for Independent Directors;
- v. To ensure effective governance of KMP Remuneration;
- vi. To ensure alignment of remuneration with prudent risk taking;
- vii. To approve remuneration plan for employees of the Company;

#### **The Remuneration Philosophy aims to:**

- a. Attract and Retain the best skills and talent 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 a combination of both results and behaviors.



### 3. DEFINITIONS

- i. **“Act”** means Companies Act 2013
- ii. **“Director”** means a person appointed to the position of a Director on the Board of Directors of the Company.
- iii. **“Remuneration”** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income -tax Act, 1961.
- iv. **“IRDAI Guidelines”** means Insurance Regulatory and Development Authority of India (Corporate Governance for Insurers) Regulations, 2024 and Master Circular on Corporate Governance for Insurers, 2024
- v. **“Independent Director”** means a director referred to in Section 149(6) of the Companies Act, 2013.
- vi. **“Managing Director (MD)”** 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.
- vii. **“Whole-time Director (WTD)”** includes a director in the whole-time employment of the Company
- viii. **“Key Management Personnel (KMP)”** means a person defined under section 2(51) of the Companies Act 2013 and / or a person defined as a Key Management Personnel under IRDAI Guidelines / Regulations.

### 4. POLICY

Any proposal for remuneration review will be submitted 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. The Board Nomination and Remuneration Committee / Board will give suitable directions / guidelines to implement the Policy.

The Policy will be reviewed annually by the Board Nomination and Remuneration Committee and the Board of Directors of the Company.



## 5. APPOINTMENT CRITERIA AND QUALIFICATIONS:

### i. Non-Independent Director and KMPs

- a. The BNRC will identify and ascertain the integrity, qualification, expertise, experience, past remuneration of the persons for appointment as Non-Independent Director and KMP and recommend to the Board of Directors for their consideration.
- b. The BNRC will 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 KMPs a 'fit and proper declaration' will be taken from the candidate before appointment.
- c. No appointment, re-appointment or termination of appointment of MD/CEO/WTD/ED will 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.
- d. No appointment of Appointed Actuary will have effect unless such appointment is made with the previous approval of the IRDAI and approval of the Board of Directors is obtained.

### ii. Independent Directors

- a. The Committee will ascertain the qualification, positive attributes and independence of the person for appointment as Independent Director.
- b. Independent Directors would be appointed for their professional expertise in their individual capacity as independent professionals.
- c. The candidates shortlisted for the position of Independent directors will be compliant with the criteria laid down by regulatory authorities under the IRDAI's Corporate Governance Guidelines and Companies Act 2013.
- d. An Independent Director will 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.
- e. The Committee will 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.
- f. The maximum age limit for a Non-Executive Director, including the Chairperson of the Board, will be 75 years, beyond which no person will continue on the Board of the company
- g. An Independent Director may be appointed for a term of up to five consecutive years on the Board of the company and can be re-appointed for the second term on passing of a special resolution by

the Board of Directors of the company. No Independent Director will hold office for more than two consecutive terms beyond a period of 10 years. After completion of 10 years, such Independent Director will be eligible for re-appointment only after a cooling-off period of at least three years

## **6. PERFORMANCE EVALUATION OF DIRECTORS**

- i. The Committee will consider the following criteria while evaluating the performance of the Directors:
  - a) Attendance for 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
  - e) Such other criteria as may be decided by the Committee
- ii. The Committee will evaluate the performance of directors before considering their re-appointment and will accordingly recommend the Board for their re-appointment.
- iii. The Director whose performance is subject to evaluation and discussion at a particular Committee / Board meeting will not participate in such meeting or agenda item.
- iv. Separate meeting of Independent Directors will be held for evaluation of the performance of Board of Directors at least once every financial year

## **7. REMOVAL/VACATION OF OFFICE/SUPERANNUATION/RESIGNATION**

- i. The Committee will take utmost care and diligence while recommending the appointment of Directors, KMPs. 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 or KMP, subject to the provisions and compliance of the said Act, rules and regulations.
- ii. The Committee at its discretion may also recommend to the Board for removal of Director or KMP due to misconduct, unsatisfactory performance and for such other reasons as the committee deems fit.
- iii. 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 / herself 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/her interest in any contract or arrangement in which he is directly or indirectly interested
  - e) If he/she is disqualified by a court for any offence involving moral turpitude and is sentenced to imprisonment for a period of not less than 6 months
- iv. The Director and KMPs, unless re-appointed, will 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.
  - v. KMPs will 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.
  - vi. An Independent Director will lay down his/her office, unless re-appointed for another term as per the applicable provisions of Companies Act, 2013 and rules thereunder.
  - vii. A director may resign from his / her office by giving a notice in writing to the Company and the Board and such resignation of a director will take effect from the date on which the notice is received or such further date as may be mentioned.

#### **8. TERM AND TENURE for MD / CEO / WTD / KMPs**

- i. The Managing Director / Whole-time Director (WTD) / Executive Director (ED) may be appointed for a term not exceeding five years at a time.
- ii. The maximum term a single incumbent can hold the position of MD / CEO / WTD is 15 years.
- iii. Any re-appointment of the same incumbent, if considered necessary and desirable by the board can be done only after a cooling off period of at least three years, subject to meeting other applicable conditions.
- iv. No person will continue as MD / CEO / WTD with the company beyond the age of 70 years

#### **9. REMUNERATION PRINCIPLES**

The remuneration Policy is based on the following key principles in adherence to the IRDAI Guidelines:

- i. The remuneration structure will be Simple, consistent and transparent.

- ii. It will cover all aspects of remuneration structure including various elements of Fixed Pay (Basic Pay, allowances, perquisites and retirals, Variable Pay (including incentives, bonus share-linked instruments), Joining / Sign-on Bonus etc.
- iii. The Variable pay and incentives will 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. The performance based variable remuneration will not encourage the Key Management Personnel to take inappropriate or excessive risks
- iv. It will ensure that:
  - a) Remuneration is adjusted for all types of risk;
  - b) Remuneration outcomes are symmetric with risk outcomes;
  - c) Remuneration payouts are sensitive to the time horizon of the risk; and
  - d) The mix of cash, equity and other forms of remuneration are consistent with the risk alignment
- v. In setting remuneration levels, the Committee is mindful of the fact that our business operates in a highly competitive market. The Committee will consider appropriate remuneration data from the relevant market

## 10. REMUNERATION OF DIRECTORS

### i. Independent Directors

- a) 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 will decide on the remuneration to be paid to Directors by way of fee for attending meetings of the Board or Committee thereof.
- b) Total Remuneration paid to a Non-Executive Director cannot exceed INR. 30,00,000 per annum. If the Chairperson of the company is a Non-Executive Director, the remuneration will be decided by the Board of Directors of the company
- c) In addition to the director's remuneration mentioned in the para 10(i)b above, the company may pay sitting fees to the Non-Executive Directors and reimburse their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013

### ii. Non-Executive Directors

- a) None of the directors representing the shareholders of the Company will be paid any remuneration for attending the Board / Committee meetings of the Company.



- b) In compliance with IRDAI Guidelines, the Board of Directors may approve the remuneration in the form of profit related Commission to the Non-Executive Directors, excluding the Chairman of the Board.

## 11. **REMUNERATION FRAMEWORK**

The key elements of our remuneration framework for KMPs are as below:

### i. Total Fixed Pay

- a) The Total Fixed Pay to be based on competitive market benchmarking to attract and retain talent
- b) Periodic benchmarking will be undertaken to ensure that the pay remains competitive and adequate to attract and retain high caliber talent and complies to the prevailing statutory requirements.
- c) Fixed Pay will include Basic Pay, allowances, perquisites, contribution towards statutory as well as voluntary retirement benefits and all other fixed items of compensation.

### ii. Variable Pay

- a) Variable pay will comprise of cash and / or share linked instruments as prescribed by the regulator.
- b) Variable pay includes incentives, bonus, Share linked instruments etc. The variable pay to be linked to performance based measures of individual as well as company performance that does not create incentives for inappropriate risk taking. Any variable pay or performance incentive will be paid / granted to any KMP only once during a financial year
- c) Variable Pay must be at least 50% of the Fixed Pay for the corresponding period and cannot exceed 300% of the Fixed Pay. Where the variable pay is up to 200% of the Fixed pay, a minimum of 50% of the variable pay will be via non-cash instruments. The same limit would be 70%, in case the variable pay is above 200% of the Fixed Pay.
- d) A minimum of 50% of the total variable pay must invariably be under deferral arrangements and the deferral period will be minimum three years. The first such vesting should accrue after one year from the commencement of the deferral period. Vesting will be no faster than on a pro rata basis and will take place only on a yearly basis to ensure a proper assessment of risks before the application of ex-post adjustments. No deferment of variable pay will be required for an amount of up to INR. 25,00,000 for a particular year.

- e) The payout against the variable pay opportunity will be calculated based on Company Performance 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 the financial performance of the Company, it may lead to an increase in the variable pay.
- f) Wherever applicable, the variable pay will be adjusted for all types of business risks which are an integral part of the KPIs of KMPs. While calculating the variable pay of MD, CEO and other KMPs, due consideration will be given to the following parameters laid down by IRDAI in the Guidelines:
1. Overall financial soundness such as Net-Worth position, solvency, growth in AUM, operating profit / Net Profit, Embedded Value, Value of New Business including any other indicator that reflects the overall financial soundness
  2. Compliance with Expenses of Management Regulations
  3. Claim efficiency in terms of settlement and outstanding
  4. Improvement in grievance redressal status / position
  5. Reduction in unclaimed Amounts of policyholders
  6. Persistency 37th month to 61<sup>st</sup> month
  7. Overall compliance status with respect to all applicable laws

The above parameters will 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 weightage for each of the parameters will be configured suitably for MD/CEO/WTDs and other KMPs depending on the respective roles. The management may define additional parameters as well, in line with the business plan of the Company.

Apart from the performance assessment for payment of incentives and variable pay, these parameters will also form the basis for revision of the Fixed Pay.

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.

iii. Long Term Incentive Plan (LTIP)



- a) The company will use LTIP as an instrument to provide employees with stock ownership and align them to long- term interest of the company. The quantum of LTIPs issued would be decided based on affordability of the company and also considering the market competitiveness of the plans offered.
  - b) In accordance with the disclosure requirements laid out for financial statements of the company, details of the LTIP granted to the MD & CEO and other KMPs will be disclosed to the regulator.
  - c) If the LTIPs of Bharti AXA are granted to KMPs, grant and vesting of such LTIPS will be in compliance with the applicable regulatory requirements and the manner of pricing of shares will be disclosed upfront to the IRDAI.
  - d) KMPs will not be issued / granted any sweat equity shares.
  - e) In case of retirement / resignation / death of KMPs prior to the deferred period, the deferred pay will be paid as per the employment contract agreed between the company and the KMPs. In case of re-appointment on retirement, the deferred pay due at the time of retirement (i.e. prior to re-appointment) will be paid only in the respective years to which it is originally deferred.
  - f) In case of termination from the services as per the directives of court / tribunal /other competent authorities, or termination by the company in case of fraud / criminal offences etc., the deferred pay will be forfeited.
- iv. Guaranteed Bonus, Joining Bonus
- a) In compliance with IRDAI Guidelines, guaranteed bonuses will not be part of the compensation structure for MD/CEO/WTD and other KMPs.
  - b) The joining or sign on bonus will be payable only at the time of hiring and will be limited to the first year of employment.
- v. Malus and Claw backs
- a) In case of deferral remuneration, in the event of any negative trend in the defined parameters and / or the relevant line of business in any year during the vesting period, and basis the review of the performance and malu/clawback provisions by the BNRC, the unvested / unpaid portions of the deferred variable pay will be reduced or cancelled as per the assessment as per the decision of the BNRC. However, while exercising such provisions, due consideration will be given to the actual / realized performance of the company.



- b) Appropriate clauses covering provisions for Malus and / or Claw back will to be incorporated in the contracts of the KMPs with respect to all deferred payments to be made to them. These have to be in adherence to the IRDAI Guidelines.

## 12. SEVERANCE PAY

- i. Severance Pay other than accrued benefits like gratuity, pension etc. cannot be paid to KMPs except in cases where it is mandatory under the applicable provision of the statute.
- ii. Severance Pay does not include notice period pay