

SHRIRAM GENERAL INSURANCE COMPANY LIMITED

NOMINATION AND REMUNERATION POLICY

➤ **Introduction**

This Policy is framed to comply with the provisions of Clause 9.2 of the Master Circular on Corporate Governance for Insurers, 2024. This policy governs the operations of the Nomination and Remuneration Committee. The Committee shall formulate Remuneration Policy in consultation with the Risk Management Committee. The committee shall review and reassess the policy on an annual basis.

“Key Management Person” shall include members of the core management team of an insurer or applicant including all whole-time directors or Managing Directors or Chief Executive Officer and the functional heads one level below the Managing Director or Chief Executive Officer, including the Chief Financial Officer, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer and the Company Secretary.

➤ **Objectives**

The Key Objectives of the Committee would be:

- a) to guide the Board in relation to appointment/re-appointment of Directors and Key Managerial Person.
- b) to evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c) to recommend to the Board on Remuneration payable to the Directors and Key Managerial Person.
- d) to ensure that the remuneration is adjusted for all types of risks, remunerations outcomes are symmetric with risk outcomes, remuneration payouts are sensitive to the time horizon of the risk and the mix of cash, equity and other forms of remuneration are consistent with risk alignment.

➤ **Membership**

- a) The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

➤ **Chairman**

- a) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- b) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

➤ **Secretary**

The Company Secretary of the Company shall act as Secretary of the Committee.

➤ **Frequency of Meetings**

The meeting of the Committee shall be held at such regular intervals as may be required.

➤ **Attendance**

Members of the committee are expected to be present at all meetings. As necessary, the Chairperson of the committee may request that members of management, consultants or others, which it may deem appropriate, be present at committee meetings.

➤ **Minutes**

Minutes of each meeting are to be prepared by or under the direction of the Company Secretary. The Secretary shall maintain a permanent record of the minutes.

➤ **Purpose, Function and Responsibility**

The main functions and responsibilities of Nomination and Remuneration Committee includes the following:

A. Nomination Duties

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

1. Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013;
2. Determining the appropriate size, diversity and composition of the Board;
3. Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
4. Ensuring that the Company shall not appoint a person as a non-executive director who has attained the age of seventy-five years;
5. Ensuring that the Company shall not appoint a person as Managing Director & CEO or a Whole-time Director who has attained the age of seventy years;
6. Ensuring that no person shall continue as Managing Director & CEO or a Whole-time Director for a continuous period of more than 15 years. If the Managing Director & CEO or a Whole-time Director is appointed by a promoter / major shareholder, he/she shall not hold the said post for a continuous period of more than 12 years;
7. Evaluating the performance of the Board members and Key managerial person in the context of the Company's performance from business and compliance perspective;
8. Delegating any of its powers to one or more of its members or the Secretary of the Committee;
9. Recommend any necessary changes to the Board.
10. Considering any other matters as may be requested by the Board.

B. Remuneration Duties

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

1. to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
2. to ensure that the remuneration packages of the Key Management Persons of the Company are as per the Nomination & Remuneration Policy approved by the Board within the overall limit as specified in the Companies Act 2013.
3. to consider and determine payment of remuneration in the form of profit related commission to the non-executive directors, subject to the Company making profits. Such remuneration shall not exceed Rs. 30,00,000 (Rupees Thirty Lakhs) per annum for each such director excluding Chairman. For the Chairman of the Board, the remuneration may be decided by the Board of Directors of the Company in consultation with the Nomination & Remuneration Committee. 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.
4. to delegate any of its powers to one or more of its members or the Secretary of the Committee.
5. to consider any other matters as may be requested by the Board.

➤ **Annual Remuneration of Key Managerial Person**

Annual Remuneration of Key Managerial Persons shall be aggregate of Fixed Pay (including monetary and non-monetary perquisites) and Variable Pay, for a particular financial year.

Fixed Pay – It shall include Basic Pay, allowances, perquisites, contribution towards superannuation / retirement benefits and all other fixed items of compensation.

Variable Pay:

- i. Variable pay shall be in the form of cash and /or share linked instruments.
- ii. Variable pay includes incentives, bonus, share linked instruments etc. Any variable pay or performance incentive shall be paid / granted to any KMP only once during a financial year.
- iii. Variable pay shall be at least 50% of the Fixed Pay for the corresponding period and shall not exceed 300% of the Fixed Pay. Where variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay shall be via non-cash instruments, i.e., ESOP / Cash linked stock appreciation rights (CSARs), the terms of which shall be as decided by the Board constituted ESOP Management Committee at the time of ESOP / Cash linked stock appreciation rights (CSARs) allotment. The same limit would be 70%, in case the variable pay is above 200% of the fixed pay.

iv. A minimum of 50% of the total variable pay in the form of non-cash instruments, i.e., ESOP / Cash linked stock appreciation rights (CSARs) must invariably be under the deferral arrangements and the deferral period shall be a minimum of three years. The first such vesting shall accrue after one year from the commencement of the deferral period. Vesting shall be no faster than a pro rata basis and shall not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex-post adjustments. No deferment of variable pay shall be required for an amount of up to Rs. Twenty-Five Lakhs for a particular year.

v. Variable Pay shall be subject to Malus and Claw-back provisions. In case of deferred 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, unvested / unpaid portions of deferred variable pay shall be reduced or cancelled as per the assessment. Gross negligence, integrity breach, materially inaccurate financial statements due to result of misconduct including fraud, poor compliance in respect of Corporate Governance and Regulatory matters, etc by the Key Managerial Person shall invite immediate and prompt action of the Board and the management.

vi. Payment of variable pay for Managing Directors and Whole-time Directors for Financial Year 2024-25 shall be as per Annexure – I.

➤ **Parameters for performance assessment of Key Managerial Person for payment of Variable Pay**

The performance of the Key Managerial Person shall be assessed on the following parameters to determine the payment of variable pay:

- Financial soundness including Net worth, Solvency, AUM, Net profit
- Compliance with IRDAI Expenses of Management regulations
- Claims settlement and outstanding claims
- Improvement in Grievance Redressal system
- Reduction in unclaimed amounts
- Renewal rate
- Investment Income
- Adequacy of Reserves
- Overall compliance status
- Additional parameters in line with the business plan of the Company

The performance of the Managing Directors and Whole-time Directors shall be assessed on the basis of the above-mentioned parameters in proportion to the weightage as mentioned in Annexure II in line with the business plan of the Company and Guidelines on Remuneration of Directors and Key Managerial Persons of Insurers issued by IRDAI. The annual revision in the remuneration of the Managing Directors and Whole-time Directors shall be approved by Board on recommendation of the Nomination & Remuneration Committee, subject to approval of the shareholders and IRDAI.

The performance of the Key Managerial Persons (other than Managing Directors & Whole-time Directors) shall be assessed on the basis of the above-mentioned parameters in proportion to the weightage as determined by Managing Director & CEO depending on their respective roles and in line with the business plan of the Company and Guidelines on Remuneration of Directors and Key Managerial Persons of Insurers issued by IRDAI. The annual revision in the remuneration of the Key Managerial Persons (other than Managing Directors & Whole-time Directors) shall be determined by the Managing Director & CEO.