

**Policy Document**

**Nomination and Remuneration Policy**

## Document Control

S. No.	Type of Information	Document Data
1.	Document Title	Nomination and Remuneration Policy
2.	Document Code	
3.	Date of Release	31 <sup>st</sup> May 2017
4.	Document Superseded	NA
5.	Document Revision No	2.0
6.	Document Approvers	Navi GI Board
7.	Document Owner	Company Secretary, Head Legal & Compliance
8.	Document Author(s)	Company Secretary, Head Legal & Compliance

## Document Approvers

S. No.	Approver	Approved Through / Nominee	Nominee Contact
1.	Navi GI Board	Nomination & Remuneration Committee	NA

## Nomination and Remuneration Policy

### Purpose

### Applicability

This policy is formulated as per the provisions of Section 178 (3)(4) of the Companies Act 2013, Insurance Regulatory and Development Authority of India ("IRDAI") Corporate Governance Guidelines dated May 18, 2016, IRDAI Guidelines on Remuneration of Non -Executive Directors and Managing Directors/ Chief Executive Officer/ Whole -Time Directors of Insurers dated August 05, 2016.

### Objective

This policy is framed with the following objectives.

1. To lay down criteria for identifying persons who are qualified to become directors and such persons who may be appointed in senior management and to determine their remuneration and other terms and conditions.
2. To determine the qualifications, positive attributes, and Independence of the Board.
3. To determine overall remuneration framework based on the Company's size and financial position and trends and practices on remuneration prevailing in the industry.
4. To attract, retain and motivate the Senior Management including its Key Managerial Personnel and to contribute to the success of the company.
5. To guide the Board in relation to the appointment and removal of Directors, Key Managerial Personnel and Senior Management.
6. To evaluate the performance of members of the Board and provide necessary report to the Board for further evaluation.
7. To recommend the Board on remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
8. To promote and develop a high-performance workforce in line with the company strategy.
9. To lay down criteria and terms and conditions with regards to identifying persons who are qualified to become Directors (Executive & Non-executive/ Independent/ Nominee) and persons who may be appointed in Senior Management, Key Managerial Personnel and determine their remuneration.

## **Eligibility criteria and qualifications**

### **Board of Directors**

#### **Composition of Board**

Section 149 of the Companies Act, 2013 prescribes that every public limited company shall have a minimum number of three Directors. Also, Navi General Insurance Ltd. falls under the prescribed class of companies which are required to appoint at least one woman director and at least two independent directors. Section 149 (3), provides that there should be at least one director who should have stayed in India for a period of not less than 182 days during the previous calendar year.

Further, IRDAI Corporate Governance Guidelines also prescribe minimum three independent directors for an unlisted insurance company. It further provides that in case the Chairman of the Company is non-executive, the Chief Executive Officer shall be the Whole-time Director on the board.

The Board shall consist of professional, experienced and knowledgeable Directors who are responsible for the overall directions of the business in the interest of all stakeholders including the Policyholders of the Company.

The Directors of the Company shall meet the “fit and proper” criteria which would be at a minimum, relate to integrity demonstrated in personal behavior and business conduct, soundness of judgment and financial soundness. With a view to ensuring that the Directors comply with the above requirement, a due diligence should be undertaken on the person to be appointed as Director or for the continuance of the existing Directors only after obtaining a declaration from the proposed/existing Directors in the prescribed format at the time of their appointment/re-appointment.

#### **Appointment Criteria for Managing Director and CEO / Whole Time Director / Executive Director**

The appointment of Managing Director / Whole Time Director / Executive Director shall be made in accordance with Insurance Act, 1938, applicable IRDAI guidelines, applicable provisions of the Companies Act 2013 and the Articles of Association of the Company.

The candidate for the position will be assessed against a range of criteria which includes but not be limited to qualifications, skills, industry experience, background and other attributes required for the said position.

The Managing Director & CEO / Whole Time Director / Executive Director shall have all the powers and authorities as prescribed by the Board of Directors, Articles of Association and applicable provisions of Companies Act, 2013. The Managing Director & CEO / Whole Time Director / Executive Director will be in overall charge of the business, administration and other affairs of the Company within the supervision, control and directions of the Board of Directors. The appointment shall be subject to the prior approval of IRDAI.

### **Appointment Criteria for Non-Executive Directors**

The Non-Executive Director are appointed as per the applicable provisions of the Companies Act, 2013 and rules made there under and assessed on various parameters such as qualification, relevant experience, and expertise, integrity, skill sets etc.

### **Appointment Criteria for Independent Directors**

An Independent director in relation to a company means a director other than a Managing Director or a Whole-Time Director or a Nominee Director

- a. who in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience
- b. who is or was not a promoter of the company or its holding, subsidiary or associate company or is not related to promoters or directors in the company, its holding subsidiary or associate company.
- c. Who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year
- d. None of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two percent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year
- e. Who neither himself nor any of his relatives
  - i. holds or has held the position of a Key Managerial Personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed.
  - ii. Is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten percent or more of the gross turnover of such firm,
  - iii. Holds together with his relative's two percent or more of the total voting power of the company or
  - iv. Is a chief executive or director, by whatever name called, of any non-profit organization that receives twenty-five percent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two percent. Or more of the total voting power of the company
  - v. Is a material supplier, service provider or customer or a lessor or lessee of the Company.

- f. Who is not less than 21 years of age.
- g. Who possesses such other qualifications as may be prescribed.

### **Nomination Process**

The NRC will assist the Board in identifying potential qualified individuals for the position of Director with a view to ensure that the Board is comprised of individuals who possess the skills, qualities, and experience to collectively contribute to corporate governance.

NRC will review and ensure that the identified candidates meet the eligibility norms as set out in the Companies Act 2013, Insurance Act 1938, Corporate Governance Guidelines and other statutory provisions applicable to Director/Independent Director, NRC shall determine the suitability of a candidate based on the below-mentioned parameters

- a. Adherence to the highest ethical standards, display solid business judgment and have strong interpersonal skills
- b. Ability to read and interpret financial statements
- c. Industry knowledge and experience
- d. Fit and proper criteria prescribed under CG guidelines and
- e. Such other criteria as may be determined by NRC or prescribed by applicable law from time to time.

The profile of the shortlisted candidate will be placed before the board of directors for their consideration and approval. The approval of the shareholders is also sought for the appointment in compliance with the provisions of the Companies Act 2013 and Articles of Association of the company. The independent directors will be issued formal letter of confirmation of their appointment.

### **Key Managerial Personnel (KMPs)**

KMP shall consist of employees as defined in Companies Act, 2013 and Corporate Governance guidelines issued by IRDAI from time to time.

The NRC shall evaluate the eligible candidates for all KMP's as defined in Companies Act, 2013 and Corporate Governance guidelines issued by IRDAI from time to time, consideration of appointment.

The Managing Director & Chief Executive Officer and KMPs shall be appointed, by means of resolution of the NRC/Board as the case may be containing the terms and conditions of such appointment.

The KMPs should comprise of individuals with appropriate mix of skills, experience, and personal attributes. Such employees should be adept and understand the business and the environment in which company operates and deliver on the company objectives, goals, and strategic direction.

The selection of potential candidates as part of KMP, as the case may be shall primarily be based upon the following key factors

- a. Appropriate level of experience, skills and qualification
- b. High level of integrity
- c. Ability to provide insights and practical wisdom based on their experience and expertise for the success of the company
- d. Display of specific competencies as defined
- e. Compliance to applicable legal and regulatory requirements.

### **General for all employees**

The Company shall recruit individuals with high level of integrity and having qualifications, skills, and experience relevant to the company requirements for the specific position for which such individual is being interviewed.

### **Remuneration**

#### **Remuneration in General**

The remuneration of employees, in general, is based upon the industry position, business performance, and macro-economic conditions and also benchmarked to companies in the insurance sector. The reports generated through internationally recognized compensation / HR service consultancies, internal industry reports etc form basis for appropriate benchmarking.

The statutory payments such as provident fund, gratuity and superannuation benefits etc are made in accordance with the applicable law.

#### **Remuneration for Key Managerial Personnel**

The remuneration of KMPs is approved by the Board at the time of appointment and any subsequent increments are approved by the Managing Director and CEO considering the following key factors:

- a. The level and composition of remuneration should be reasonable and sufficient to the attract, retain and motivate executives and should be in line with the industry practice aimed at promoting the short term and long term interests and performance of the company.
- b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks
- c. Remuneration 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.

#### **Remuneration of Managing Director & CEO / Whole Time/ Executive Directors**

The remuneration of the Managing Director & CEO / Whole Time / Executive Directors is determined and periodically reviewed by NRC and recommended to the Board of Directors for their consideration and approval of IRDAI.

The remuneration of Managing Director & CEO / Whole Time/ Executive Director should be:

- a) Adjusted for types of risk
- b) Remuneration outcomes are symmetric with risk outcomes and
- c) Remuneration pay-outs are sensitive to the time horizon of the risk
- d) The mix of cash and other forms of remuneration must be consistent with risk alignment.

The remuneration is primarily linked to Company's performance, appropriate benchmarks, industry ranking/standards, market trend and applicable statutory provision and includes but is not limited to:

- Persistency
- Solvency
- Grievance Redressal
- Expenses of Management
- Claim Settlement
- Claim Repudiations
- Overall compliance status
- Overall financial position such as net-worth position of company, asset under management (AUM) etc.

The remuneration of Managing Director & CEO / Whole Time/ Executive Directors shall consist of balanced component between the fixed pay and variable pay.

The variable pay could be in cash, stock linked instruments or mix of both. However, Employees Stock Option Plan (ESOP) may be excluded from the components of variable pay.

The deterioration in the financial performance of the Company and the other parameters specified above may lead to a contraction in the total amount of variable remuneration.

Where the variable pay constitutes a substantial portion of the total pay i.e 50% or more, an appropriate portion of such variable pay (such as 40% of such variable pay will be deferred over a period of not less than three years.



## **Remuneration of Non-Executive / Independent Directors**

Profit related commission subject to the Company making profits within the overall ceiling of 1% of the net profits of the company as computed in pursuance to the provisions of section 197 and such other applicable provisions of companies act, 2013, if any, may be paid to the non-executive directors and the independent directors subject to the review by the NRC and approval of members in the general meeting. However, as per the IRDAI (remuneration of Non-Executive directors of Private Sector Insurers) Guidelines, 2016, such payment shall not exceed Rs 10 Lacs per annum for each such director excluding Chairman of the Company.

The remuneration of the Chairman may be decided by the Board of Directors separately.

The sitting fees shall be paid to the Non-Executive Directors and the Independent Directors within the limits as prescribed under the provisions of Section 197 and other applicable provisions of the Companies Act 2013. Independent Directors shall not be eligible for stock options.

The Company shall also reimburse the expenses for attending the Board and other Committee meetings including traveling, boarding and lodging expenses to the Non-Executive Directors and the Independent Directors.

## **Monitoring, Evaluation, and Removal**

### **Evaluation of Board of Directors, Committees and Individual Directors:**

According to Section 134 sub-section 3(p) read with Sub-rule (4) of Rule 8 of the Companies (Accounts) Rules, 2014 every listed Company and every other public company having paid-up share capital of twenty-five crores or more calculated at the end of the preceding financial year should include in the report by its Board of Directors, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors.

The Nomination & Remuneration Committee shall carry out evaluation of performance of the Board of Directors, Committees and Individual Directors on yearly basis.

### **Removal**

The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, Key Managerial Personnel, or Senior Management Personnel subject to the provisions of Companies Act, 2013, and all other applicable acts, rules, and regulations, if any.

### **Minutes of Committee Meeting**

Proceedings of all meetings must be recorded in the minutes and signed by the Chairperson of the said meeting or the Chairperson of the next succeeding meeting. Minutes of the Committee meeting will be circulated at the subsequent Board Meeting for noting.

### **Review of the Policy**

This policy will be subject to annual review by NRC keeping in view the regulatory changes, other benchmarks, industry practices etc. and the recommendations, if any, will be placed before the Board of Directors for their approval.

### **Disclosures**

The Boards Report shall contain a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its Committees and Individual Directors.

As per the IRDAI Guidelines on Remuneration of Non-Executive Directors and Managing Directors / Whole Time Directors, Company shall also make qualitative and quantitative disclosures about the remuneration of the Non-Executive Directors and Managing Director in the Annual Report.