

**Kotak Life Insurance**

**Nomination and Remuneration Policy**

### **Document Management**

|                               |                                       |   |                                     |             |
|-------------------------------|---------------------------------------|---|-------------------------------------|-------------|
| <b>Document Reference No.</b> |                                       | PARM/23-24/31                             |                                     |             |
| <b>Document Issue Date</b>    |                                       | 25/07/2023                                |                                     |             |
| <b>Process Owner</b>          |                                       | Ruchira Bhardwaja, Joint President & CHRO |                                     |             |
| <b>Particulars</b>            | <b>Name</b>                           | <b>Section</b>                            | <b>Designation &amp; Department</b> | <b>Date</b> |
| Prepared By                   | Ruchira Bharadwaja                    | Whole Document                            | Joint President & CHRO              | 19/07/2023  |
| Approved By                   | Nomination and Remuneration Committee | Whole Document                            | -                                   | 19/07/2023  |
| Approved By                   | Board                                 | Whole Document                            | -                                   | 19/07/2023  |

### **Change Management**

| <b><u>Date</u></b> | <b><u>Version</u></b> | <b><u>Section</u></b>                           | <b><u>Amendment</u></b>   |
|--------------------|-----------------------|---|---|
| 28/07/2015         | 1.0.0                 | Whole Document                                  | Policy approved by Board in its meeting dated 28/07/2015  |
| 19/10/2016         | 2.0.0                 | Whole Document                                  | Policy approved by Board in its meeting dated 19/10/2016  |
| 09/05/2017         | 3.0.0                 | Whole Document                                  | Policy approved by Board in its meeting dated 09/05/2017  |
| 16/05/2018         | 4.0.0                 | Whole Document                                  | Policy approved by Board in its meeting dated 16/05/2018  |
| 16/05/2019         | 5.0.0                 | Whole Document                                  | Policy approved by Board in its meeting dated 16/05/2019  |
| 22/07/2020         | 6.0.0                 | Appointment and qualification<br><br>Governance | New section added<br><br>New section added<br><br>This policy has been reviewed by Board in its meeting dated 22/07/2020. |
| 30/04/2022         | 7.0.0                 | Whole Document                                  | No changes made<br><br>This policy has been approved by Board in its meeting dated 29/04/2022                             |
| 09/02/2023         | 8.0.0                 | Whole Document                                  | Revised policy with minor changes<br><br>This policy has been approved by Board in its meeting dated on 20/01/2023        |

|            |       |  |   |
|------------|-------|--|---|
| 25/07/2023 | 9.0.0 | <p>Objective</p> <p>Remuneration Committee and Review process</p> <p>Forms of Compensation</p> <p>Performance parameter</p> <p>Classification</p> <p>Compensation Composition and Applicability</p> <p>Appointment and Qualification</p> | <p>Updated Objectives</p> <p>Updated Composition of Remuneration Committee</p> <p>Made minor changes to align with IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023</p> <p>Added a new section on Performance Parameter</p> <p>Added KMP under classification of employees</p> <p>Added a section o KMP</p> <p>Updated the section on Appointment and Qualification</p> <p>This policy has been approved by Board in its meeting dated on 19/07/2023</p> |
|------------|-------|--|---|

*Table of content*

|  |           |
|--|-----------|
| <i>Objective .....</i>                                 | <i>5</i>  |
| <i>Coverage &amp; Applicability .....</i>              | <i>5</i>  |
| <i>Compensation Philosophy .....</i>                   | <i>5</i>  |
| <i>Remuneration Committee and Review Process .....</i> | <i>5</i>  |
| <i>Forms of Compensation .....</i>                     | <i>6</i>  |
| <i>Performance parameter .....</i>                     | <i>7</i>  |
| <i>Classification.....</i>                             | <i>8</i>  |
| <i>Compensation Composition and Applicability.....</i> | <i>8</i>  |
| <i>Malus and Clawback.....</i>                         | <i>9</i>  |
| <i>Disclosures .....</i>                               | <i>10</i> |
| <i>Appointment and Qualification .....</i>             | <i>10</i> |
| <i>Governance .....</i>                                | <i>11</i> |

## **Objective**

- To maintain fair, consistent and equitable compensation practices in alignment with Kotak Life's core values and strategic business goals.
- To ensure effective governance of compensation and alignment of compensation & remuneration practices with prudent risk taking.
- To have mechanisms in place for effective supervisory oversight and Board engagement in compensation and remuneration. To ensure that the compensation practices are within the regulatory framework stipulated from time to time by IRDAI.

## **Coverage & Applicability**

This Policy is applicable to all the employees of the Company and covers the following:

- Compensation Philosophy
- Remuneration Committee and Review process
- Forms of Compensation
- Employee Classification
- Compensation Composition and Applicability

## **Compensation Philosophy**

As a philosophy, the Company aims to maintain a fair balance between the compensation rewards that is perceived as necessary to remain competitive in the marketplace and the fundamental fairness to all stakeholders, taking into account the risk and return on their investment.

## **Remuneration Committee and Review Process**

The Remuneration Committee will comprise at least 3 Non-executive Directors, at least two of who will be Independent Directors. The Committee will comprise of:

- Mr. Prakash Apte
- Ms. Farida Khambata
- Mr. Uday Kotak

The Committee will meet atleast once a year for Compensation Review and has the following responsibilities:

- Oversee the overall design and operation of the Compensation policy of the Company.
- To achieve alignment between risks and remuneration.
- Keep in mind the cost to income ratio of the Company and the overall health of the Company.
- Approve the compensation of the Whole Time Directors (WTDs)/CEO of the Company.

- Review the Remuneration Disclosure Requirement annually for submission to any regulator.
- To ensure the compliance to the IRDAI CG Guidelines, IRDAI (Remuneration of Non-Executive Directors of Insurers) Guidelines, 2023 and IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023

## **Forms of Compensation**

Compensation structure is broadly divided into Fixed, Variable and ESOPs.

- Fixed Pay:** Comprises of Salary, Retirals and other Benefits and will include imputed value of benefits like Housing and Car. The Fixed portion of the compensation shall be reasonable, taking into account relevant factors including the industry practice, competency, competition, grade and performance of the employee.
- Variable Pay:** Variable Pay is linked to assessment of performance and potential. This would be based on Balanced Key Result Areas (KRAs), Standards of Performance (SOPs) and achievement of targets with overall linkage to the Company Budgets and business/functional targets/objectives, individual performance, and relative to average industry performance.

Depending on the nature of the business/function, the risk involved, the time horizon for review of quality and longevity of the assignments performed, various forms of Variable Pay may be applicable. The main forms of such incentive compensation will include:

- Cash – this may be at intervals ranging from Monthly, Quarterly, Annual Deferred Cash/ Deferred Incentive Plan / Deferred long term retention plan Stock Appreciation Rights
  - (SARs): These are structured, variable incentives, linked to Kotak Mahindra Bank Stock price, payable over a period of time, the last payment for which is not less than 3 years from date of communication.
  - The risk involved can be a factor of minimum health parameters such as Persistency, Solvency, Grievance Redressal, Expense Management, Claim settlement, Claim repudiations, Overall Compliance status and overall financial position such as Net-Worth Position, Asset under Management (AUM), reduction in unclaimed amounts of policyholders, etc.
- ESOP:** Employee Stock Options (ESOP) shall be granted on a discretionary and reasonable basis to employees based on their performance, competency, position (grade/ level) and potential, to motivate employees and create shareholder value by aligning interest of employees with long term interests of the Company. ESOPs are also granted from time to time with the objective of retaining employees. ESOPs will be recommended by the Remuneration Committee. The quantum of ESOPs will be reasonable and the formulation of the ESOP scheme, the coverage, the vesting period and their pricing schedule, etc. will also be decided by the Remuneration Committee as per standard valuation and applicable guidelines.

- iv. **Joining Bonus / One-Time Bonus:** These may be offered sparingly for recruitment of new staff. Joining bonus or one-time bonus, if offered, will be as approved by the Head – Human Resources as per policy of delegation of authority.
- v. **Severance Pay:** The Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity or Superannuation) except in cases where it is mandated by statute or provided in the appointment letters.

In respect of the Key Managerial Persons, the Compensation structure as stipulated above shall be in accordance with the norms prescribed in the IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023, as amended from time to time.

### **Performance parameter**

Performance parameter will be combination of financial impact, customer satisfaction, internal process, innovations, learning and growth. The minimum parameters shall be as mentioned below:

- a. Overall financial soundness such as net worth position, solvency, growth in AUM, net profit etc.
- b. Compliance with expenses of management regulations
- c. Claim efficiency in terms of settlement and outstanding
- d. Improvement in grievance redressal status
- e. Reduction in unclaimed amounts in policyholders
- f. Persistency – 37<sup>th</sup> month to 61<sup>st</sup> month
- g. Overall compliance status with respective to all applicable laws

The above parameters shall constitute at least 60% of total weightage in the performance assessment matrix of MD. In addition to above MD shall also be responsible for employee engagement, leadership retention and development, digital adaption and additional assessment as approved by NRC. The weightage of each of the parameters shall be based on the risk assessment and projected outlook for the company, these shall be approved by the NRC.

For KMPs, above mentioned performance parameter will be at least 30% of total weightage in the performance assessment matrix, individually and other parameters for KMPs shall be combination of financial impact, customer satisfaction, internal process, innovations, learning and growth, employee engagement, leadership retention and development, digital adaption.

For KMPs, NRC authorizes MD to decide the weightage of each of the parameters based on the roles of each KMP and risk assessment and additional assessment depending on their respective roles may be configured suitably for MD and as approved by NRC in relation to each individual

## **Classification**

Employees have been broadly classified into 3 groups:

- i. **Category I: Whole Time Directors (WTD)/Managing Director (MD):** To include MD and ED, if any.
- ii. **Category II: External Non-Executive Directors:** To include External Non-Executive Directors
- iii. **Category III: Key Managerial Persons (KMP):** To include Key Managerial Persons as defined in the IRDAI (Registration of Indian Insurance Companies) Regulations, 2022.
- iv. **Category IV: Other Categories of Staff :** To include all other employees not explicitly covered in the first three categories

## **Compensation Composition and Applicability**

### **For Category I: Whole Time Directors (WTD)/ MD**

- The Fixed Pay for WTD/MD will be linked to Market, taking into account all relevant factors including industry practice
- The Variable Pay will be adjusted for various risks (as mentioned in the section of “Variable Pay” above) and must be sensitive to time horizon of the risk. The performance grid/ parameters and variable pay shall be as per the limits prescribed and approved in the Nomination & Remuneration Committee on an annual basis in accordance with the norms prescribed in the IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023, as amended from time to time.
- ESOPs granted will be reasonable, keeping performance, potential and retention factors in mind
- The Fixed and the variable pay including pension, gratuity, and perquisites would be as per the terms of appointment for WTD / MD, and will be approved by the Remuneration Committee and IRDAI

### **For Category II: External Non-Executive Directors:**

- The Company may pay remuneration to its External Non-Executive Directors/ Independent Directors in the form of profit based commission
- Payment of commission to the Directors will be subject to the applicable provisions of the Companies Act and IRDAI Regulations governing payment to Directors which shall not exceed Rs. 20 Lakhs p.a. for each Non-Executive Director. In addition to the same, the Board may also authorise payment of sitting fees to the Non-Executive Director and reimbursement of their expenses for participation in the Board and other Meetings, subject to compliance with the provisions of the Companies Act, 2013
- Normally, the proposal for recommending any such payment of commission for a particular financial year, to the External Non-Executive Directors/ Independent Directors shall be done at the Nomination and Remuneration Committee. Post approval by the Committee, the same shall be

placed before the Board for their approval. However, the Board reserves the right to take up the matter directly at the meeting of the Board of Directors for discussion with permission of the Chairman of the Board. Post approval of the Board, such payment of commission shall be done, subject to the approvals of the Shareholders of the Company

- In case an External Non-Executive Director / Independent Director who is not on the Board for the whole year, the Annual Commission, as decided above to be paid, will be paid to such Director on a pro-rata basis, based on the number of quarters for which he /she is on the Board, with a part of Quarter to be considered as full quarter

- 

#### **For Category III: Key Managerial Persons:**

- The Fixed Pay for KMPs will be linked to Market, taking into account all relevant factors including industry practice
- The Variable Pay will be adjusted for various risks (as mentioned in the section of “Variable Pay” above) and must be sensitive to time horizon of the risk. The performance grid/ parameters and variable pay shall be as per the limits prescribed and approved in the Nomination & Remuneration Committee on an annual basis in accordance with the norms prescribed in the IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023, as amended from time to time.
- ESOPs granted will be reasonable, keeping performance, potential and retention factors in mind
- The Fixed and the variable pay including pension, gratuity, and perquisites would be as per the terms of appointment for KMPs, and will be approved by the Remuneration Committee and IRDAI

#### **For Category IV: Other Categories of Staff:**

- Approve compensation for other categories of staff
- Fixed Pay will be linked to Market, capacity to pay and performance/ potential of the employee
- Variable Pay is payable as per approved schemes for long-term incentive or Bonus
- ESOPs upto reasonable extents may be granted as part of compensation and to also assist in retention

### **Malus and Clawback**

Both these clauses are applicable only on Deferred Variable Pay

- i. **Malus:** Payment of all or part of amount of deferred Variable Pay can be prevented. This clause will be applicable in case of:

- Disciplinary Action (at the discretion of the Disciplinary Action Committee) and/ or
- Significant drop in performance of Individual/ Business/ Company (at the discretion of the Remuneration Committee)
- Resignation of the staff prior to the payment date

ii. **Clawback:** Previously paid or already vested deferred Variable Pay can also be recovered under this clause. This clause will be applicable in case of

- Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Remuneration Committee)

## **Disclosures**

The Company shall make a disclosure on an annual basis in the Annual Financial Statements. Such disclosures shall be made for the specific year and previous year (previous year's disclosures need not be made when the disclosures are made for the first time).

## **Appointment and Qualification**

### **A. MD/CEO/WTB as well as other Key Management Persons (KMPs)**

The Company shall appoint the most suitable candidate, considering the required level of competence and qualification for each category of employees defined in the policy.

Guidelines for appointment/reappointment of MD/CEO/WTB as well as other Key Management Persons (KMPs), as issued by IRDAI from time to time, to be referred for appointment and qualification requirements.

Subject to the statutory approvals received from time to time, the post of MD/CEO/WTB shall not be held by the same incumbent for a continuous period of more than 12 years. Such an incumbent shall be eligible for reappointment after a cooling off period of at least 1 year, subject to meeting other applicable conditions. An incumbent shall not continue to hold position of MD/CEO/WTB beyond the age of 70 years.

'Recruitment Policy' to be referred for detailed recruitment and appointment process followed by the Company.

### **B. Age Limit and Tenure of Non-Executive Directors:**

Non-Executive Director(s) including Chairperson of the Board shall not continue on the Board of the Company after attaining the age of 75 years. However, an Independent Director shall be appointed for a term upto 5 consecutive years and shall be eligible for re-appointment for second term upto 5 years but shall not be eligible for re-appointment beyond second term. On completion of maximum tenure of 10 years, such an Independent Director shall be eligible for re-appointment only after cooling-off period of at least 3 years.

## **Governance**

The policy shall be reviewed annually or as and when changes are initiated in the same, whichever is earlier.

Changes made in the policy are to be duly reviewed by the Nomination and Remuneration Committee and subsequently approved by the Board.