



Internal Audit

Nomination and Remuneration Policy

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Kotak Life Insurance

Nomination and Remuneration Policy

Document Management

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Change Management

<u>Date</u>	<u>Version</u>	<u>Section</u>	<u>Amendment</u>
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
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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 Governance	New section added New section added 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 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

			This policy has been approved by Board in its meeting dated on 20/01/2023
25/07/2023	9.0.0	Objective	Updated Objectives
		Remuneration Committee and Review process	Updated Composition of Remuneration Committee
		Forms of Compensation	Made minor changes to align with IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023
		Performance parameter	Added a new section on Performance Parameter
		Classification	Added KMP under classification of employees
		Compensation Composition and Applicability	Added a section o KMP
		Appointment and Qualification	Updated the section on Appointment and Qualification
			This policy has been approved by Board in its meeting dated on 19/07/2023
07/08/2024	10.0.0	Objective	Updated Objectives
		Nomination and Remuneration Committee and Review Process	Updated Composition of Nomination and Remuneration Committee Added succession planning to align with Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI
		Performance Parameter	Updated parameter as per Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI
		Compensation Composition and Applicability	Updated Maximum Limit as per Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI

		Appointment and Qualification	Updated the maximum Term as per Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI
		Disclosure	Minor Changes for consistency in the documents.
		Governance	Updated as per Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI
			Added Risk Management Committee in review mechanism as per Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI
			The above changes have been approved in the board meeting dated 17/07/2024

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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, is in line with corporate culture, objectives, strategies, identified risk appetite and long term interest of the insurer and which gives due regard to the interests of its policyholders and other stakeholders
- In structuring, implementing and reviewing the remuneration policy, the decision making process is identified and conflicts of interests managed
- 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.
- To comply with section 178 of the Companies Act, 2013, Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI and any other applicable provisions as amended from time to time.

Coverage & Applicability

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

- Compensation Philosophy
- Nomination and 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.

Nomination and Remuneration Committee and Review Process

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

- Ms. Farida Khambata
- Mr. C.S. Rajan
- 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 Philosophy 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)/Chief Executive officer (CEO)/Managing Director (MD)/Key Managerial Person (KMP) of the Company.
- Review the Remuneration Disclosure Requirement annually for submission to any regulator.
- Shall be responsible for succession planning of the insurer including its implementation.
- To ensure compliance to Master Circular on Corporate Governance for Insurers, 2024 issued by IRDAI.

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 Nomination and 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 Nomination and 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 and Goals, as stipulated above shall be in accordance with the norms prescribed in the IRDAI (Corporate Governance) Regulations, 2024, Master Circular on Corporate Governance, 2024, 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 Asset Under Management (AUM), operating profit/net profit, Embedded Value, Value of New Business including any other indicator that reflects the overall financial soundness
- 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 – 37th month to 61st 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)/Chief Executive officer (CEO):** 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)/ Managing Director (MD)/Chief Executive officer (CEO)

- The Fixed Pay for WTD/MD/CEO 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 Master Circular on Corporate Governance for Insurers 2024 issued by IRDAI., 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/CEO, and will be approved by the Nomination and 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. 30 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 Master Circular on Corporate Governance for Insurers 2024 issued by IRDAI., 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 Nomination and 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 Nomination and 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 Nomination and Remuneration Committee)

Disclosures

The Company shall make a disclosure on an annual basis in the Annual Financial Statements/IRDAI, as per the Master Circular on Corporate Governance for Insurers, 2024. 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 15 years. It will be 12 years if the appointment is done by a promoter/Major Shareholder, this appointment of 12 years can be further extended to 15 years subject to approval of IRDAI. 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, Risk Management Committee and subsequently approved by the Board.