

**NOMINATION AND REMUNERATION POLICY**  
**Max Life Insurance Company Limited**

**I. PREAMBLE**

1.1 Max Life Insurance Company Limited ("**Company**") has in place a Nomination and Remuneration Committee ("**Committee**") which shall at all times comprise 3 (Three) or more non-executive Directors, of which at least half shall be Independent Directors, as required under section 178 of the Companies Act, 2013 as amended from time to time ("**Companies Act**").

1.2 This Nomination and Remuneration Policy ("**Policy**") has been prepared in compliance with Section 178 of the Companies Act read along with Guidelines for Corporate Governance for Insurers in India dated 18<sup>th</sup> May 2016 ("**Corporate Governance Guidelines**"), Insurance Regulatory and Development Authority of India (Remuneration of Non-executive Directors of Private Sector Insurers) Guidelines, 2016 and Insurance Regulatory and Development Authority of India (Remuneration of Chief Executive Officer / Whole-time Director/ Managing Director of Insurers) Guidelines, 2016, both dated 5<sup>th</sup> August 2016 (collectively the "**Remuneration Guidelines**") issued by Insurance Regulatory and Development Authority of India ("**IRDAI**") as amended from time to time. The Remuneration Guidelines are effective from October 1, 2016 or from the date of appointment/ reappointment of MD/ CEO/ WTD and non-executive Directors, whichever is later.

1.3 The Policy will be reviewed annually or as may be required to ensure alignment with statutory and regulatory requirements.

**II. DEFINITIONS**

"**Board**" means Board of Directors of the Company.

"**Company**" means Max Life Insurance Company Limited.

"**Director**" means a director appointed to the Board of the Company.

"**Manager**" means a manager as defined under the Companies Act.

"**Employee Phantom Stock Plan**" means the Employee Phantom Stock Plan 2014 or Employee Phantom Stock Plan 2012, as amended from time to time and any other plan that Company may introduce in future.

"**Independent Director**" means a director referred to in Section 149(6) of the Companies Act as amended from time to time.

"**Key Management Personnel**" or "**KMP**" means a member of the core management team of the Company including all:

- (a) Managing Directors ("**MD**"),
- (b) Chief Executive Officer ("**CEO**"),
- (c) Whole-time directors ("**WTD**"),
- (d) Manager,
- (e) Functional heads one level below the MD/CEO, including the Chief Financial Officer, Chief Investment Officer, Appointed Actuary, Chief Risk Officer, Chief Compliance Officer and Company Secretary; and shall also include Key Managerial Personnel as defined under Companies Act."

"**NRC**" or "**Committee**" means the Nomination and Remuneration Committee constituted by the Board of Directors of the Company, in accordance with the provisions of Section 178 of the Companies Act.

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**“Other employees”** means all full time employees of the Company excluding MD/ CEO/ WTD/ Managers and KMPs.

**“Policy”** means this Nomination and Remuneration Policy.

**“Remuneration”** means any money or its equivalent/ benefit/ amenity/ perquisite given or passed to any person for services rendered by him/ her and includes perquisites as defined under the Income-tax Act, 1961.

### **III. GUIDING PRINCIPLES/ OBJECTIVES**

The objective of the Policy is to provide an overall framework for the Remuneration of the Directors, KMPs and other employees of the Company. In this regard, the Policy seeks to ensure that:

- (a) there is effective governance of Remuneration by active Board oversight;
- (b) there is effective alignment of Remuneration to prudent risk taking and that the Remuneration does not induce excessive or inappropriate risk taking that could be detrimental to the interests of the policyholders and / or business;
- (c) the level and composition of Remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMPs and other employees having the quality required to run the Company successfully;
- (d) The interests of MD/CEO/WTD/Manager are aligned with the business strategy, risk tolerance and adjusted for risk parameters (as mentioned in Section 10.1.3), objectives, values, culture and long term interests of the Company;
- (e) Relationship of Remuneration to performance is clear, meeting appropriate performance benchmarks and consistent with the "pay-for-performance" principle;
- (f) 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.

### **IV. ROLE OF THE COMMITTEE**

The role of the Committee shall be to ensure compliance to the relevant provisions of the Companies Act, Corporate Governance Guidelines, Remuneration Guidelines and various other obligations as mentioned in the charter of the Committee as approved by the Board from time to time.

The Committee should recognize the potential conflicts inherent in recommendations from Company’s management dealing with Remuneration and ensure that recommendations from management are supplemented with external advice when appropriate.

### **V. APPOINTMENT AND REMOVAL OF DIRECTOR/ MD/ CEO/ WTD/ MANAGER AND KMPs**

5.1 Any appointment, reappointment, termination of a MD/ CEO/ WTD/ Manager (by whatever name called) or any amendment thereto will be done and will have effect only after prior approval of IRDAI.

5.2 The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person being appointed as Director or KMP and recommend his/ her appointment to the Board.

5.3 A Director or KMP should possess adequate qualification, expertise and experience for the position he/ she is considered for appointment as Director or KMP. The Committee has the discretion to decide whether the qualification, expertise and experience possessed by a person are sufficient/ satisfactory for the concerned position.

5.4 The Committee shall ensure that a requisite framework exists for appointments and qualification requirements for the human resources and which ensures that the incentive structure does not encourage imprudent behavior.

## **VI. TERM AND TENURE**

### **6.1 MD/ WTD/ Manager:**

The Company shall appoint or reappoint any person as its MD/ WTD/ Manager for a term not exceeding five years at a time. No reappointment shall be made earlier than one year before the expiry of term.

### **6.2 Independent Director:**

(a) An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

(b) No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible again for appointment, after expiry of three years from date of ceasing to be an Independent Director.

(c) For the purpose of determining the term of Independent Directors, the existing term of the Independent Directors as on April 1, 2014 shall not be counted as a term for the above clauses.

## **VII. EVALUATION**

The Committee shall carry out evaluation of performance of every Director at a yearly interval, in accordance with Section 178 of the Companies Act, 2013 as amended from time to time and present a report thereon to the Board.

## **VIII. REMOVAL**

Due to reasons for any disqualification mentioned in the Companies Act, rules made there under or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board for reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of such Act, rules and regulations.

## **IX. RETIREMENT**

The Director or KMP shall retire as per the applicable provisions of the Companies Act and the prevailing policy of the Company. The Board will have the discretion to retain the Directors/ KMPs in the same position / Remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to passing a special resolution, as applicable.

## **X. PROVISIONS RELATING TO REMUNERATION**

### **10.1 *Remuneration of MD/CEO/WTD/Manager***

#### **10.1.1 *Applicable Laws, Guidelines and Required Approvals***

(a) The Remuneration of MD/CEO/WTD/Manager will be determined by the Committee and recommended to the Board for approval and will require prior approval of IRDAI.

(b) The NRC/ Board shall always maintain a fine balance between reasonableness and fairness, while making Remuneration-related decisions including clawback of any unpaid deferred Remuneration.

(c) The Remuneration and commission to be paid to MD/CEO/WTD/Manager shall be as per the applicable provisions of the Companies Act read with the Insurance Act, 1938 ("**Insurance Act**") and rules, regulations and guidelines made thereunder including the Remuneration Guidelines.

(d) However, where the annual Remuneration of a MD/ CEO/ WTDs/Manager exceeds Rs. One Crore Fifty Lacs (including all perquisites, bonuses, etc., by whatsoever name called), such excess shall be debited to the shareholders' account.

#### 10.1.2 **Components of Remuneration**

The Remuneration of MD/CEO/WTD/Manager is inclusive of fixed pay, perquisites, variable pay, guaranteed pay, allowances, short term/long-term incentives, retiral benefits (superannuation or any other pension plan, gratuity, provident fund), stock options, Employee Phantom Stock Plan, severance package (by whatever name called) and other components.

#### 10.1.3 **Risk and Reward**

(a) Remuneration of MD/CEO/WTD/Manager shall be linked to performance parameters such that:

- It is adjusted for all types of risks (as mentioned in Section 10.1.3.b),
- Remuneration outcomes are symmetrical with risk outcomes,
- The payouts are sensitive to the time horizon of the risk, and
- Pay mix is consistent with risk alignment.

(b) Risk parameters that will be considered by NRC and Board for assessing performance and suitable risk adjustment will cover aspects related to:

- Persistency
- Solvency
- Grievance redressal
- Expenses of Management
- Claim settlement
- Claim repudiations
- Overall compliance status
- Overall financial position such as net worth position, assets under management, etc.

The above parameters are indicative. NRC and Board may formulate and review such parameters from time to time, in line with the business needs of the Company.

In matters related to risk and reward, the NRC shall consider advice from members of the Risk Committee of the Company, the Appointed Actuary or the Chief Risk Officer as appropriate before making its final determinations and recommendations to the Board.

#### 10.1.4 **Pay Mix**

The total Remuneration paid to MD/CEO/WTD/Manager shall have a fixed component and a variable component linked to individual and organizational performance. Proper balance between fixed and variable components will be ensured by the NRC/ Board and in accordance with the Remuneration Guidelines.

(a) **Fixed pay** may comprise basic salary, house rent allowance, other allowances and retiral benefits like provident fund, gratuity and superannuation. The amount of fixed pay shall be reasonable taking into account the Company's overall business performance and industry remuneration scales.

(b) **Variable pay** may be paid in the form of cash, equity/ stock linked instruments or both. It is clarified that employee stock option plans would not be considered as part of variable pay. In case the variable pay constitutes 60% or more of the total Remuneration (i.e. fixed pay + variable pay), it shall be considered as 'substantial' as per Remuneration Guidelines and 40% of the variable pay shall be deferred over a period of 3 years and be paid in three equal installments.

Any future grant (by whatever name called) that is given, if construed as variable pay, should have a proper balance of pay mix in line with Section 10.1.4.

Variable pay is dependent on the Company's overall results as captured in the Company's measures of success outcomes and the parameters defined in section 10.1.3. In case there is deterioration in the same, the variable pay will contract in accordance with adjustment of these parameters.

In the event of termination of employment contract without cause, the variable pay and any other payout which has been awarded but deferred shall be paid at the time of cessation of contract, subject to the final approval of the NRC, Board and IRDAI. However, in the event of termination of employment contract owing to proven misconduct, no variable pay, notice pay, severance payment and any other payout which has been awarded but deferred shall be paid.

In the event of termination of employment contract owing to a resignation, any payout which has been awarded but deferred shall be paid, subject to the final approval of the NRC, Board and IRDAI.

#### 10.1.5 **Stock Options**

The NRC/ Board may consider granting of stock options, including Employee Phantom Stock Plan. Issue of stock options and sweat equity shares shall be governed by the provisions of Remuneration Guidelines, the Companies Act, the Companies (Share Capital and Debenture) Rules, 2014, SEBI (Issue of Sweat Equity) Regulations, 2002 and SEBI (Share based Employee Benefits), 2014 as amended from time to time. Details of stock options to Directors shall be disclosed in line with disclosure requirements stipulated for the financial statements of the Company.

#### 10.1.6 **Clawback of deferred pay**

(a) In case of unvested or unpaid portion of the deferred variable pay, appropriate mechanism will be put into place with respect to clawback of such portion, which shall be appropriately linked to risk parameters as provided in Section 10.1.3.

(b) NRC and the Board shall track performance on the basis of parameters provided in Section 10.1.3. In case of negative trends in Company's performance, the Committee and the Board shall review the same and based on facts and due assessment of what is directly attributable to the MD/CEO/WTD/Manager's actions, the Committee and the Board may take appropriate measures for clawback of unvested or unpaid deferred pay. The Committee and Board's decision shall be final with regard to clawback.

#### 10.1.7 **Guaranteed Bonus**

The Company shall not encourage guaranteed bonus of any kind as part of the Remuneration plan of MD/CEO/WTD/Manager, except sign-on/joining bonus if required. The sign-on / joining bonus may be granted only to new staff and will be limited to first year, however, the payout may be deferred beyond the year of joining. The NRC/Board shall approve such a grant.

#### 10.1.8 **Severance Payments**

Any severance payments, for involuntary separation without cause or due to change of control, to MD/CEO/WTD/Manager shall be made in accordance with contractual obligations and with prior approval of the NRC, Board and IRDAI. Severance payment for this purpose shall not include accrued benefits including gratuity, pension, provident fund, notice period pay, etc.

## 10.2 **Remuneration to KMPs (other than MD/CEO/WTD/Manager) and other employees**

Remuneration to KMPs and other employees will include elements of fixed pay, allowances, short term / long term incentives, retinals, perquisites, stock options and other components with the mix of elements varying with seniority and benchmarked externally. A key unifying element shall be the funds available to support short and long term incentives each year. These are driven by the measures of success determined by the Board as part of the business planning cycle. The measures of success should be clearly defined and capable of objective measurement. The Board will, however, retain a measure of discretion to exercise judgment in determining final outcomes, for instance, where overall outcomes are result of external events completely outside the management's control or generally in respect of factors not susceptible to direct incorporation into the measures of success.

## 10.3 **Remuneration to Non-Executive Directors**

Subject to the approval of Board and shareholders in accordance with the statutory provisions of the Companies Act and the rules made thereunder, the non-executive Directors may be paid profit linked commission from time to time, provided that the Company is making profit. Any such Remuneration shall not exceed amounts as may be specified by IRDAI for each of such non-executive Director.

Subject to the overall limit in this regard, the Board may, with mutual agreement with such Director, determine and pay different commission, to each non-executive Director.

## 10.4 **Stock Options**

(a) An Independent Director shall not be entitled to any stock option of the Company.

(b) The Company may, in line with applicable provisions of Companies Act read with Insurance Act and amendments and rules thereunder, wherever applicable, grant units under Employee Phantom Stock Plan or any other stock option of the Company to any non-executive Director.

## 10.5 **Engagement for Professional Services**

The Company may, in line with applicable provisions of Companies Act, read with Insurance Act and amendments and rules there under, wherever applicable, engage any non – executive Director to provide professional services from time to time. Any such engagement for professional services shall be made if NRC of the Company is of the opinion that such Director possesses the requisite qualification for providing such services.

## 10.6 **Sitting Fees**

A non-executive director may receive Remuneration by way of fees for attending meetings of Board or Committee as may be decided by the Board. Provided, however, that the amount of such fees shall not exceed the maximum amount per meeting as may be prescribed in the Companies Act, Insurance Act or by the Central Government from time to time. The non-executive Directors and Independent Directors shall, in addition to the sitting fees, be entitled for reimbursement of their expenses for participating in the Board and Committee meetings, as may be decided by the Board.

## **XI. DISCLOSURE**

All above Remuneration, including qualitative and quantitative disclosures as mentioned in the Remuneration Guidelines and fees for all Directors will be disclosed annually in Company's annual report.

## **XII. DEVIATIONS FROM THIS POLICY**

Deviations on elements of this Policy in extraordinary circumstances, when deemed necessary, in the interests of the Company, will be made if there are specific reasons to do so in individual cases.

**XIII. OWNER OF THE POLICY**

The Policy is owned by the Committee and shall be administered by the Chief People Officer.