

NOMINATION AND REMUNERATION POLICY

Max Life Insurance Company Limited

I. PREAMBLE

Pursuant to Section 178 of the Companies Act, 2013 and corporate governance guidelines of Insurance Regulatory Development Authority of India (IRDAI) dated 18th May 2016 (“Corporate Governance Guidelines”), the Board of Directors of Max Life Insurance Company Limited (“Max Life” or “Company”) requires to constitute a Nomination and Remuneration Committee which will report to the Board. The Company has in place a Human Resource Organisation and Compensation Committee (“HRCC”) comprising of 4(four) non-executive Directors, of which 2(two) are Independent Directors as required under section 178 of the Companies Act, 2013, for discharging all obligations of NRC.

In order to align with the provisions of the Companies Act, 2013 and the Corporate Governance Guidelines, the Board on 21st May 2015 changed the nomenclature of the “Human Resource Organisation and Compensation Committee” to “Nomination and Remuneration Committee”.

The remuneration payable to Chief Executive Officer (“CEO”)/ Whole Time Directors (“WTD”)/ Managing Director (“MD”) is governed by the provisions of Section 34A of the Insurance Act, 1938. Further in exercise of its powers under Section 14 of the IRDA Act, 1999, IRDAI has issued guidelines on remuneration of Non Executive Directors, MD, CEO and WTD Dated 5th August 2016 (“Remuneration Guidelines”) that require the Company to formulate a sound remuneration policy.

This Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with Corporate Governance Guidelines and Remuneration Guidelines.

This Policy shall be effective from October 1, 2016 or in the case of MD/CEO/WTD and Non-Executive Directors, from the date of appointment/re-appointment of MD/CEO/WTD and Non-Executive Directors, whichever is later or upon any amendment in the remuneration of the incumbents at the MD/CEO/WTD/ Non executive Directors positions.

II. DEFINITIONS

“Board” means Board of Directors of the Company.

“Company” means “Max Life Insurance Company Limited.”

“Employee Phantom Stock Schemes” means the Employee Phantom Stock Plan 2014 or Employee Phantom Stock Plan 2012 - Amended or such other scheme approved or amended by Board from time to time.

“Independent Director” means a director referred to in Section 149 (6) of the Companies Act, 2013.

“Key Management Persons”/ “KMPs” means members of the core management team of an insurer including all WTD/ MD/ CEO and the functional heads one level below the MD/CEO,

including the CFO, Appointed Actuary, Chief Investment Officer, Chief Risk Officer, Chief Compliance Officer and Company Secretary.”

“Nomination and Remuneration Committee or NRC or Committee” shall mean a 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, 2013 read with the Corporate Governance Guidelines.

“Policy or This Policy” means, “Nomination and Remuneration Policy.”

“Remuneration” means any money or its equivalent/benefit/amenity/perquisite given (in whatever form) 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

The Policy ensures that

1. There is effective governance of remuneration by active Board oversight;
2. There is effective alignment of remuneration to prudent risk taking;
3. It effectively covers Board members, CEO/MD/WTD and KMPs whose actions may have material impact on the risk;
4. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
5. The interests of CEO/MD/WTD are aligned with the business strategy, risk tolerance and adjusted for risk parameters (as mentioned in Section X.1.3., objectives, values and long-term interests of the Company);
6. Relationship of remuneration to performance is clear, meeting appropriate performance benchmarks and consistent with the "pay-for-performance" principle;
7. Remuneration to Directors and Key Managerial Personnel 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; and,
8. The Policy will be reviewed annually to ensure alignment with statutory and regulatory requirements.

IV. ROLE OF THE COMMITTEE

The role of the Committee shall be to fulfill the obligations as set out in this Policy and to ensure compliance of the relevant provisions of the Companies Act, 2013, Corporate

Governance Guidelines, Remuneration Guidelines, and various other obligations as mentioned in the charter of the Nomination and Remuneration Committee as approved by the Board of Directors from time to time.

V. APPOINTMENT AND REMOVAL OF DIRECTOR/MD /CEO AND KMP

Appointment criteria and qualifications:

1. Any appointment (including the criteria therefore), reappointment, termination of appointment of Directors (both executive and non-executive including independent directors) shall be in accordance with the Companies Act, 2013, the Corporate Governance Guidelines and Remuneration Guidelines.
2. Any appointment, reappointment, termination of appointment of a MD/CEO/WTD (by whatever name called) will have effect only after prior approval of IRDAI has been taken.
3. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person being appointed as Director or KMP and recommend to the Board his / her appointment.
4. 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. The Company shall not appoint or continue the employment of any person as MD /WTD/ CEO who has attained the retirement age as per Company Policy.
6. 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.
7. Any amendment made to any provision relating to appointment, re-appointment or termination of appointment of a MD/WTD/CEO (by whatever name called) will have effect only after prior approval of IRDAI has been taken.

VI. TERM AND TENURE

1. MD/WTD: The Company shall appoint or re-appoint any person as its MD/WTD for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
2. Independent Director:
 - 2.1. 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.

2.2. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.

2.3. For the purpose of determining term of independent directors, the existing term of the Independent Directors as on April 1, 2014 shall not be counted a term for 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, and present a report thereon to the Board of Directors.

VIII. REMOVAL

Due to reasons of any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of the said Act, rules and regulations.

IX. RETIREMENT

The Director or KMP shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director/ KMP in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

X. PROVISIONS RELATING TO REMUNERATION OF MD/WTD/CEO/KMP

1. Remuneration of CEO and MD/WTD:

1.1. Applicable Acts, Guidelines and Required Approvals

a. Any provision relating to remuneration of CEO/MD/WTD will be determined by the Committee, recommended to the Board for approval and will necessarily require prior approval of IRDAI.

b. The NRC/ Board would always maintain a fine balance between reasonableness and fairness, while making remuneration-related decisions.

c. The remuneration and commission to be paid to CEO and MD /WTD shall be as per the applicable statutory provisions of the Companies Act, 2013 read with the Insurance Act, 1938 and amendments and rules made thereunder for the time being in force including the Remuneration Guidelines.

1.2. Components of Remuneration

The remuneration of CEO and MD/WTD may be structured to include fixed pay, perquisites, bonus, guaranteed pay, allowances, short term/long-term incentives, retirals (superannuation or any other pension plan, gratuity, provident fund), employee stock

options, Employee Phantom Stock Option, severance package (by whatever name called) and other components, as discussed below, in accordance with applicable law.

1.3. Risk and Reward

- a. Remuneration of MD/CEO/WTD will be linked to performance parameters such that
 - i. It is adjusted for all types of risks (as mentioned in Section X.1.3.b).
 - ii. Remuneration outcomes are symmetrical with risk outcomes, and
 - iii. The payouts are sensitive to the time horizon of the risk.
 - iv. Pay mix (i.e. cash, equity and other forms of remuneration) should be consistent with risk alignment

b. The minimum risk parameters that will be considered by NRC and Board for assessing performance and suitable risk adjustment will cover aspects related to:

- i. Persistency
- ii. Solvency
- iii. Grievance Redressal
- iv. Expenses of Management
- v. Claim Settlement
- vi. Claim repudiations
- vii. Overall compliance status
- viii. Overall financial position such as net worth position, assets under management ("AUM") etc.)

1.4. Pay Mix

a. Total Remuneration

- i. It will have a fixed component (inclusive of guaranteed cash and retirements), and a variable component linked to individual and organizational performance in the form of cash or stock linked payout or mix of both.
- ii. Proper balance between fixed and variable components will be ensured and as determined by the NRC/Board and in accordance with the IRDAI guidelines.

b. Fixed Pay – Fixed portion of the compensation will be a reasonable amount, as determined by NRC/Board.

c. Variable Pay –

i. To ensure that any future grants (by whatever name called) that are given, if construed as variable pay, should have a proper balance of pay mix in line with Guideline (X)(1)(1.4)(a)(ii).

ii. Variable pay could be in cash or stock linked instruments or mix of both. However, for the remuneration of MD/WTD/CEO, ESOPS shall not be included for the purposes of calculation of variable pay.

iii. It will be ensured that in case any fresh grant or payout given has both cash and stock linked components, a reasonable balance is maintained between the two types of components.

iv. In case Variable Pay constitutes a substantial portion of the Total Remuneration, then at least 40% of the same shall be deferred over a minimum period of 3 years. The NRC may, if it deems fit, recommend any higher proportion of variable pay to be deferred. In this regard, 'substantial portion' shall mean 50% or more of the Total Remuneration. The payout of such deferred portion should not vest faster than on pro rata basis.

v. Total payout of variable pay will be directly proportional to the financial performance of the Company and the risk parameters defined in this sub section. In case there is deterioration in the same, the variable payout will contract in accordance with adjustment for these parameters.

1.5. Stock or Shares

a. If given as ESOP

i. ESOP will be kept outside the computation of total remuneration for the purposes of calculation of total pay as specified under the Remuneration Guidelines. However, ESOPs for CEO/MD/Director/WTD shall require the prior approval of IRDAI;

ii. The extent of ESOP grant will be reasonable as approved by NRC/Board;

iii. Details of ESOP grants will be disclosed in line with disclosure requirements stipulated for the financial statements of the Company;

iv. If ESOPs are issued to the CEO/MD/Director/WTD/Manager who is one of the promoters / investors or directly related to the promoters, then the grants will be governed by the provisions of SEBI (Issue of Sweat Equity) Regulations, 2002. In other cases, the same will be governed by the SEBI's ESOP guidelines.

b. If given as Sweat Equity:

If the CEO/MD/WTD is one of the promoters / investors or directly related to the promoters, then the grants will be governed by the provisions of SEBI (Issue of Sweat Equity) Regulations, 2002 as amended from time to time except those relating to pricing of shares. The manner of pricing of shares shall be disclosed upfront to IRDAI.

1.6. Clawback

a. In case of the unvested and unpaid portion of the deferred variable pay, appropriate mechanism will be put into place with respect to clawback, which will be appropriately linked to parameters as defined in Section X 1.3.

b. NRC / Board will track performance of the parameters given in Section X 1.3 or of the relevant line of business in every year during the vesting period. In case of negative performance observed in any year (based on appropriate facts including observation and verification of risk outcomes), such unvested / unpaid portions will be subject to clawback. However, while exercising such provisions due consideration will be given to actual / realised performance of the Company.

1.7. Guaranteed Bonus

The Remuneration structure will not include guaranteed bonus of any kind as part of the remuneration plan of CEO/MD/WTD except sign on/joining bonus, if required. The same will be governed by the following principles in line with the Remuneration Guidelines:

c. Sign on bonus or Joining Bonus will be given only to new hires;

d. Grant will be limited to first year;

e. Grant will be in the form of ESOP only;

f. The payout may be deferred beyond the year of joining.

g. It will be given with prior approval of NRC/ Board.

1.8. Severance Pay

a. Any severance pay for involuntary separation without cause or due to change of control etc. to MD/CEO/WTD, other than accrued benefits (gratuity, pension etc.) will be paid with prior approval of the Board/NRC and IRDAI and in accordance with contractual obligations and Companies Act, 2013.

b. Notice period pay is not to be construed as severance pay.

1.9. Miscellaneous

a. No revision in remuneration will be permitted till the expiry of one year from the date of approval.

b. No remuneration will be paid to MD/CEO/WTD by any of the promoters / investors or by the group companies of the promoters' / investors' companies.

2. Remuneration to KMPs:

KMPs (other than MD/ CEO/ WTD) shall be eligible for a remuneration inclusive of fixed pay, perquisites, allowances, short term/ long term incentives, retrials, Employee Phantom Stock Option and other components as may be approved by NRC and as per compensation strategy / framework of the Company from time to time. Remuneration guidelines for all KMPs who are MD/CEO/WTD will be in line with Section X of this policy.

XI. REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTOR

1. Commission to Independent Director

Subject to the approval of Board and Shareholders in accordance with the statutory provisions of the Companies Act, 2013, and the rules made thereunder, the Independent Directors may be paid profit linked commission from time to time. Any remuneration shall not exceed Rs Ten Lakh per annum (excluding to the independent Chairman, if applicable) or such amount as may be specified by IRDAI for each of such Independent 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 independent director.

2. Commission to Non Executive Director

a. Subject to the approval of the Board, the Non Executive Directors may be paid remuneration in the form of profit linked commission from time to time, provided that the Company makes profits. Such remuneration shall not exceed Rs Ten Lakh per annum (excluding to the Chairman) or such amount as may be specified by IRDAI for each of such Non Executive Director.

b. The remuneration for the Chairman may be decided by the Board of Directors of the Company. It has no prescribed cap.

3. Commission to non-executive Chairman shall be as decided by the Board of Directors.

4. Stock Options:

An Independent Director shall not be entitled to any units under Employee Phantom Stock Schemes of the Company.

The Company may, in line with applicable provisions of Companies Act, 2013 read with Insurance Act, 1938 and amendments and rules thereunder, wherever applicable, grant units under Employee Phantom Stock Schemes of the Company to any non-executive director other than independent director.

5. Engagement for Professional Services

The Company may, in line with applicable provisions of Companies Act, 1938, read with Insurance Act, 1938 and amendments and rules thereunder, wherever applicable, engage any non – executive director and Independent 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 the Director possesses the requisite qualification for practise of profession.

XII. SITTING FEES

a) A Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof as may be decided by the Board. Provided that the amount of such fees shall not exceed the maximum amount as provided in the Companies Act, 2013, per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time. Only Non executive Directors and Independent Directors shall, in addition to the sitting fees, also be entitled for reimbursement of their expenses for participation in the Board and Committee meetings, as may be decided by the Board.

b) The Board may pay different sitting fee, to each director, as may be mutually agreed with such director.

c) For Independent Directors and woman director, the sitting fees should not be less than the sitting fees payable to other directors.

XIII. DISCLOSURE

Details of managerial remuneration, including qualitative and quantitative disclosures as mentioned in the Remuneration Guidelines will be disclosed annually in Company's annual report in accordance with Companies Act, 2013 read along with Corporate Governance Guidelines and Remuneration Guidelines.

XIV. 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 an individual case, subject to the provisions of applicable law.

XV. OWNER OF THE POLICY

The Policy is owned by Nomination and Remuneration Committee of the Company and shall be administered by the Chief People Officer.