

**Kotak Mahindra General Insurance  
Company Ltd**

**Remuneration Policy**

## 1.0 Objective & Scope:

- To maintain fair, consistent and equitable compensation practices in alignment with core values and strategic business goals
- To ensure effective governance of Compensation and alignment of compensation 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.

## 2.0 Coverage & Applicability

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

- Compensation Philosophy
- Nomination & Remuneration Committee and Review Process
- Forms of Compensation
- Employee Classification
- Compensation Composition and Applicability

## 3.0 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.

## 4.0 Nomination & Remuneration Committee and Review Process

The Committee will comprise at least 3 Non-executive Directors, at least two of whom will be independent directors.

The Committee will meet at least 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 combined ratio and expenses of management (EOM) 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 Requirements annually for submission to any Regulator.

- To ensure the compliance with Guidelines for Corporate Governance for insurers in India, IRDAI (Remuneration of Non-Executive Directors of Insurers) Guidelines, 2023 and IRDAI (Remuneration of Key Managerial Persons of Insurers) Guidelines, 2023.

## 5.0 Forms of Compensation

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

- a) **Fixed Pay:** is defined as Total Cost to Company i.e. 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.
- b) **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 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 and Annually
  - 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.
- a) **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 & 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 & Remuneration Committee as per standard valuation and applicable guidelines.

- b) **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 Chief Executive Officer, Head – Human Resources as per policy of delegation of authority.
- c) **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 [GWP, Solvency, Combiner Ratio, AUM growth, Net Worth, Net Profit, etc.]
- b. Compliance with expenses of management regulations
- c. Overall compliance status with respective to all applicable laws
- d. Claim efficiency in terms of settlement and outstanding ratio
- e. Improvement in grievance redressal status/position
- f. Reduction in unclaimed amounts in policyholders
- g. Renewal rate – improvement %
- h. Additional NRC assessment basis factors such as business strategy, leadership & people development, digital performance, etc.

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 (Key Managerial Persons), 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 and as approved by NRC in relation to each individual.

## 6.0 Employee Classification

Employees have been broadly classified into 4 groups:

**Category I: Whole Time Directors (WTD)/Managing Director (MD)/Chief Executive Officer (CEO):** To include MD and CEO ED, if any.

**Category II: Non-Executive Directors**

**Category III: Key Managerial Persons (KMP):** To include Key Managerial Persons as defined in the IRDAI (Registration of Indian Insurance Companies) Regulations, 2022.

**Category IV: Other Categories of Staff:** To include all other employees not explicitly covered in the first three categories.

## 7.0 Compensation Composition and Applicability

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

- i. The Fixed Pay for WTD/MD/CEO will be linked to Market, taking into account all relevant factors including industry practice
- ii. 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 by the Nomination and 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..
- iii. ESOPs granted will be reasonable, keeping performance, potential and retention factors in mind.
- iv. The Fixed and the variable pay including pension, gratuity, and perquisites for WTD / MD/CEO would be as per the terms of appointment for WTD / MD/CEO, and will be recommended by the Nomination & Remuneration Committee and approved by the Board of Directors and Shareholders and IRDAI.

### 7.2 For Category II: Non-Executive Directors:

The Company may pay remuneration to its 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 per annum 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 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 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

### **7.3 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 considered by the Remuneration Committee.

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

- i. Approve compensation for other categories of staff
- ii. Fixed Pay will be linked to Market, capacity to pay and performance/ potential of the employee.
- iii. Variable Pay is payable as per approved schemes for incentive or Bonus

ESOP's up to reasonable extents may be granted as part of compensation and to also assist in retention.

## **8.0 Malus & Claw back**

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 and/ or
  - Significant drop in performance of Individual/ Business/ Company Resignation of the staff prior to the payment date.

- ii. Claw back: 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).

## 9.0 Disclosures

The Company shall make disclosures as per IRDAI circulars, regulations and guidelines issued in this regard from time to time.

*NOTE: In case of any internal transfer / transfer of employment within Kotak Group, all the payments/provision towards past outstanding payments and retiral benefits of the employee shall be transferred from the erstwhile employer to the new employer as per the prevailing Kotak Group HR Policy subject to the applicable regulations.*

## 10.0 Appointment and Qualification

### A. MD/CEO/WTD 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/WTD as well as other Key Management Persons (KMPs), as issued by IRDAI from time to time, to be referred for appointment and qualification requirements.

An incumbent shall not continue to hold position of MD/CEO/WTD 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.

## 11.0 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.