Raheja QBE General Insurance Co. Ltd

Nomination & Remuneration Policy

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1. Introduction

1.1 Scope & Applicability

The Nomination and Remuneration Policy including the remuneration framework is applicable to :-

1. Non executive Directors of the Company.
2. The remuneration framework covers all employees of the Company , employed on a permanent or contractual basis.
3. Till such time as a separate policy is framed for remuneration of the Chairman of the Board , this policy would apply.

1.2 Objective:

The objective of the Nomination and Remuneration Policy of Raheja QBE General Insurance Company Limited ("the Company" or "RQBE") for members of the Board of Directors, Key Managerial Personnel (KMP) and Senior Management is to focus on enhancing the value, to retain and motivate employees and Directors for achieving the objectives of the Company and to place the Company in a leadership position.

This includes recommendations of the Nomination & Remuneration Committee ("**NRC**") to the Board on:

- The employment arrangements of the Managing Director & CEO and any executives reporting to him;
- The remuneration of any other persons or categories of persons covered by this Policy; and
- Non-executive director remuneration.

The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review. Directors consider the size and composition of the Board on periodical basis, as part of the Board review procedure. The Board has a skills matrix covering the competencies and experience of each member.

The NRC, in particular, assesses the appropriateness of remuneration frameworks and practices in order to fairly and responsibly reward the Managing Director and CEO and other members of the Senior Management and KMP. The NRC recognises that the key to achieving sustained performance is to motivate and retain quality employees and align executive reward with changing shareholder wealth.

The Nomination and Remuneration Committee (NRC) of the Board shall, while formulating the policy to ensure that -

a. 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;

b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

c. Remuneration to Directors, KMPs and Senior Management 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.

RQBE's governance of remuneration focuses on aligning the remuneration and reward strategy and frameworks with robust risk management practices and strong governance principles. While deciding the policy on remuneration of Directors, the NRC may consider amongst other things, the duties and responsibilities cast by the Companies Act, 2013, Insurance Regulatory and Development Authority (hereinafter referred as '**IRDAI**'), various Codes of Conduct, Articles of Association, the valuable contributions and inputs from Directors based on their knowledge, experience and expertise in shaping the destiny of the Company, etc.

The Policy is guided by a reward framework and set of principles and objectives as more fully and particularly envisaged under Section 178 of the Companies Act 2013 and principles pertaining to qualifications, positive attributes, integrity and independence of Directors, etc.

The policy is based on the following principles which are advocated by the Financial Stability Board and included in the IRDAI guidelines, namely;

1. Effective Governance of Compensation – active Board oversight
2. Effective alignment of compensation to prudent risk taking
3. Effective supervisory oversight and engagement by stakeholders.

The Board aims to have remuneration structures in place that encourage the achievement of a return for shareholders in terms of both dividends and growth in share price. The Board has access to detailed external research from independent consultants and advisers to ensure that remuneration and reward levels are appropriate and are in line with market conditions.

1.3 Alignment with risk management framework

This Policy is designed to align with RQBE's risk management framework. Some key components of that framework include:

a) The RQBE Risk Management Strategy ("RMS") that outlines the principles, framework and approach to risk management adopted by RQBE and is embedded for providing a consistent approach to managing risk;

b) An extensive system of delegated authorities that support the structured and measured cascade of risk appetites set by the relevant boards, empower employees to make decisions within clearly defined risk limits and therefore control the extent to which individuals can commit the current or future assets of RQBE; and

c) RQBE policies - employees are required to adhere to a range of policies to ensure risk-taking is well managed, strong governance structures are in place and high ethical standards are maintained.

1.4 Definitions

For the purpose of this Policy, the following definitions apply.

"Companies Act" means the Companies Act, 2013 (and Companies Act, 1956, as applicable) and Rules framed there under, as amended from time to time.

"**Insurance Act** " means the Indian Insurance Act, 1938 and the Insurance Amendment Act, 2015 and Rules framed thereuinder as amended from time to time.

"**Authority**" means the Insurance Regulatory and Development Authority of India (IRDAI)

"Board" means Board of Directors of the Company.

"Directors" mean Directors of the Company, including Non Executive Directors(NEDs)

"Key Managerial Personnel" means

- Managing Director / Chief Executive Officer / Manager / Whole-time Director,
- Chief Financial Officer,
- Company Secretary,
- Appointed Actuary,
- Chief Investment Officer,
- Chief Risk Officer,
- Chief Compliance Officer,
- Functional head one level below Managing Director & CEO, and
- Such other officer as may be prescribed.
- Or any other position as defined by the organisation as KMP

"Senior Management" means personnel of the Company who are members of its core management team one level below the Board of Directors including Functional Heads.

Abbreviations :

NRC – Nomination & Remuneration
NR Policy – Nomination & Remuneration Policy

2. Principles and framework

2.1 Remuneration and reward framework

RQBE remuneration and reward framework is outlined in the table below :

Total remuneration and reward framework		
Component	**Design**	**Purpose and link to strategy**
Fixed remuneration	• Consists of Annual Base (Fixed Salary) and expressed as Rupees currency as an annual amount.	• Retention and attraction – market competitive.

	• Whether required by local employment law or not, an amount paid in favour of the employee to a sovereign or private fund, expressed as a percentage of base salary, as a retirement benefit • Other guaranteed annual benefits like provision of health and welfare programs, superannuation or pension contributions, Term Insurance, Accident Insurance, Gratuity and the applicable taxes thereon or other non-cash awards • Delivered in accordance with terms and conditions of employment	• Positioned at a level that reflects the contribution and value to the Company and as required by each geographic market with a target generally at the 50th percentile but may be within a range of 25th – 75th percentile • Recognises capability, scope and complexity of business, expertise and performance of the individual • Designed to provide a predictable 'base' level of remuneration • Reviewed annually on 1 April or on promotion
STI: cash	• Cash award for delivering short-term performance over a 12 month period based on Group ROE and/or divisional RoAC targets, Country GWP and PMP objectives • Participation is for all employees basis their evaluation of annual performance • All eligible employees have a portion of their STI award determined by the Group statutory ROE result • RoAC will be calculated as the divisional management-basis profit divided by allocated capital, consistent with externally validated economic capital models • All eligible participants have their incentive based on a balanced scorecard of financial and non-financial KPIs/objectives that is relevant to their role • All of the STI awarded will be delivered in cash. • The STI rules provide suitable discretion to the Remuneration Committee to adjust any formulaic outcome to ensure STI awards appropriately reflect performance	• Rewards performance over a short-term period - aligned and linked to annual business plans, risk-adjusted financial metrics and PMP objectives • Links to performance – achievement of financial targets based on Group and divisional performance, giving clear alignment with shareholders • Group statutory ROE and divisional RoAC are solid measures of profit for which to evaluate executive performance • STI opportunity for executives has reduced as a result of re-balance of incentives to the longer term • The STI plan focuses on financial performance however the introduction of a balanced scorecard of individual KPIs will consider a broader view of performance and specific strategic priorities. The scorecard is aligned to QBE's/ RQBE's business plans and measures objectives in the following categories: value creation, performance, transformation, people and risk management
Total remuneration and reward framework		
Component	**Design**	**Purpose and link to strategy**

Bonus (isn't this same as STI)	• Cash award for delivering short-term performance over a 12-month period based on specific country targets, and PMP objectives • Delivered as a cash payment in March • Participation is limited to employees at levels 4, 5 and 6 • All eligible participants have at least 20% of their incentive based on a balanced scorecard of financial and non-financial KPIs/objectives that is relevant to their role • The Bonus rules provide suitable discretion to the Remuneration Committee to adjust any formulaic outcome to ensure Bonus awards appropriately reflect performance	• Rewards performance over a short-term period - aligned and linked to annual business plans, risk-adjusted financial metrics and PMP objectives • Links to performance – achievement of financial targets based on Country performance, giving clear alignment with shareholders • The Bonus plan focuses on a mix of financial performance and individual balanced scorecard measures, which considers a broader view of performance and specific strategic priorities. The scorecard is aligned to QBE's business plans and measures objectives in the following categories: value creation, performance, transformation, people and risk management.

2. Directors Appointment

When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist. Generally, a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. External consultants may be employed where necessary to search for prospective board members. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have insurance experience, a proven track record in creating shareholder value, utmost integrity, a commitment to corporate governance, the required time to commit to the position, a strategic mindset, a preparedness to constructively question and challenge and an independence of mind. As per the policy followed by the Company, the Non-executive Directors are paid remuneration in the form of sitting fees for attending Board and Audit Committee meetings as fixed by the Board of Directors from time to time, subject to statutory provisions.

Remuneration of the Directors reflects the overall remuneration philosophy and guiding principle of the Company. The NRC while designing the remuneration considers the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the Company successfully. While considering the remuneration, the NRC ensures a balance between fixed and performance linked variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

The NRC considers that a successful Remuneration Policy must ensure that some part of the remuneration is linked to the achievement of corporate performance targets.

2.3. Managing Director and Executive Directors

The term of office and remuneration of Managing Director and Executive Directors are subject to the approval of the Board of Directors, Shareholders and Central Government, IRDAI as applicable in terms of the provisions of Insurance Act, 1938 and the Companies Act, 2013, amended from time to time.

Remuneration for Managing Director and Executive Directors are designed to remunerate them fairly and responsibly. The remuneration comprises of salary, perquisites and performance-based incentive apart from retirement benefits like P.F., Superannuation, pension, Gratuity, Leave Encashment, etc., as per Rules of the Company and as may be mutually agreed to by the Managing Director/Executive Director(s) and the NRC/Board.

While considering the appointment and remuneration of Managing Director and Executive Directors, the NRC shall consider the industry benchmarks, merit and seniority of the person and shall ensure that the remuneration proposed to be paid is commensurate with the remuneration packages paid to similar senior level counterpart(s) in other companies.

Remuneration also aims to motivate personnel to deliver Company's key business strategies, create a strong performance-oriented environment and reward achievement of meaningful targets over the short and long-term.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay, remuneration to its Managing Director and Executive Directors subject to the approval of the Board of Directors, Shareholders and Central Government, IRDAI as applicable in terms of the provisions of Insurance Act, 1938 and the Companies Act, 2013, amended from time to time.

If any Managing Director and Executive Directors draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Insurance Act, 1938 and the Companies Act, 2013 or without the prior sanction of the IRDAI and the Central Government, where required, he/she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

The Managing Director and Executive Directors are entitled to customary non-monetary benefits as per policies of the Company from time to time.

2.4. Non-executive Directors

The Non-Executive Directors (NEDs) may be paid remuneration by way of commission and/or sitting fees as may be decided by the Board of Directors and Shareholders of the Company from time to time.

At present, the Company pays sitting fees to the NEDs for attending the meetings of the Board and Audit Committee constituted by the Board; the reimbursement of expenses of the NEDs for participation in the Board and Committee meetings is also provided for in the policy.The Board shall, at its discretion, pay sittings fees to the NEDs for attending any other Committee meetings.

The Board may, subject to compliance with the provisions of the Companies Act, 2013, and at its discretion, advise payment of remuneration in the form of profit related commission to the non – executive directors, subject to the Company making profits, subject to an upper limit of

INR.10,00,000/= (INR Ten lac) per annum for each such director.

2.5. Appointment, Reappointment and Remuneration of Managing Director (MD) and or Chief Executive Officer (CEO), :

The appointment, re appointment or termination of appointment as well as the remuneration payable to the MD and or CEO is governed by the provisions of Section 34A of the Insurance Act, 1938 and in compliance thereof and notwithstanding the applicable sections of the Companies Act, 2013, shall be effective only when approved by the Authority.

The annual remuneration of the Managing Director & CEO (including all perquisites, plus bonuses etc, by whatsoever names) in excess of INR 1,50,00,000/- shall be borne by the shareholders.

No remuneration shall be paid to the Whole Time Director, Managing Director, CEO or Key Managerial Personnel by any of the promoter/investors or by the group companies of the promoter companies.[1]

The provisions of the Insurance Act, 1938 with regard to remuneration of the Managing Director and/or the Chief Executive Officer requires the prior approval of the Authority. The policy specifies that conferring any benefit or provision or providing any amenity or perquisite in whatever form, whether during or after the termination of the office of the Managing Director and or the Chief Executive Officer, shall be deemed to be a provision relating to his remuneration.

The policy prescribes the following framework for the remuneration payable to the MD/CEO:-

1. For Short Term Incentive (STI) purpose, Performance Management Process (PMP) shall include following types of risk, along with other parameters

   i. Renewals

   ii. Solvency risk.

   iii. Grievance redressal risk

   iv. Expenses of Management

   v. Claim Settlement

   vi. Claims repudiation

   vii. Overall compliance status

   viii. Overall financial position such as the Net Worth Position.

2. **Fixed and Variable Pay composition and deferral.**

   The provisions of the IRDAI guidelines would be applicable. The fixed pay would be reasonable, taking into account various factors and based on the recommendations of the Nomination and Remuneration Committee. The variable pay may be payable in cash or stock linked instruments or a mix of both.

3. Clawback :

[1] ESOP is excluded from the scope of total remuneration as prescribed by IRDAI (Remuneration of CEO/Wholetime Director/Managing Directors of Insurers) Guidelines 2016

The provision for clawback in case of deferral remuneration (as the case maybe), as provided in the IRDAI guidelines would be applicable subject to actual performance and the exact mechanism for the same will be put in place subject to the Nomination and Remuneration Committee's approval.

Guaranteed bonus.
The provision for guaranteed bonus, if necessary, would be separately decided at a later date and included in the purview of this policy.

Severance Pay
The severance pay, if required to be paid, would only include accrued benefits such as Gratuity etc. Superannuation and would be paid only with prior approval of the Board. Such severance pay would not include notice period pay.

2.6 Key Managerial Personnel and Senior Management

RQBE sets performance targets and remuneration incentives based on parameters such as insurance profit and risk adjusted return on equity. Embedding risk management within daily management practices assists management to achieve performance targets while avoiding unwelcome surprises throughout the business management cycle. Terms and conditions of the appointment including the remuneration of KMPs are subject to the approval of the NRC and the Board of Directors. The remuneration of the senior management shall be decided based on this Policy.

Total remuneration comprises of :

1. **A fixed base salary** - set at a level aimed at attracting and retaining executives with professional and personal competence, showing good performance towards achieving Company goals.

2. **Perquisites** – in the form of house rent allowance/accommodation, , reimbursement of medical expenses, insurance, conveyance, leave travel, etc., as may be mutually negotiated and as applicable as per Company Rules.

3. **Retirement benefits** - contribution to PF, superannuation, Gratuity, etc. as may be applicable as per Company Rules.

4. **Motivation /Reward** - A performance appraisal is carried out annually and promotions/increments/ rewards are decided based on the appraisal and recommendation of the concerned Executive Director, where applicable, as per Company Rules.

The annual variable pay of senior management is linked to the performance of the Company/respective Divisions in general and their individual performance for the relevant year measured against specific Key Result Areas.

The Company while deciding the remuneration of the senior management members takes into consideration, inter alia, the following items:

a) merit and seniority of the person

b) employment scenario

c) industry benchmark, and

d)

2.7 Other employees

The remuneration of other employees is fixed from time to time as per the guiding principles outlined above and considering industry standards and cost of living. In addition to basic salary they are also provided perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable. Policy of motivation /reward are applicable to this category of personnel as in the case of those in the senior management cadre.

2.8 Loans and/or advances

The Company may grant temporary loans and advances to its full time employees *(excluding Whole Time Director/MD/Executive Director, Manager (as defined under Companies Act, 2013), Company Secretary (CS), Chief Financial Officer (CFO), Actuary, Auditor or any person in accordance with whose directions or instructions the Board of Directors or any one or more of the Directors is or are accustomed to act)* either on hypothecation of property or on personal security or otherwise.

The loans or temporary advances to full time employees can be granted at the discretion of the Company with the approval of the Managing Director & CEO and CFO only for the following purposes:

a. Advance for Funeral expenses;
b. Advance for Marriage expenses;
c. Advance for travelling domestic or overseas for official purposes;
d. Advance for purchasing Mobile Phone as per Company policy;
e. Advance for Medical Emergencies for self/Family

Provided further that the aggregate of all loans taken together by a full time employee shall not exceed three month's gross salary of an employee or Rupees One Crore whichever is lower at any point in time.

Any loans or advances granted under the policy shall be interest free and shall form part of compensation/remuneration package of such employee subject to applicable taxes and shall not be included for Available Solvency Margin calculation. The tenure of the loan/advances and recovery process shall be as stated in the H.R policies of the Company.

3. REVIEW AND DISCLOSURE

Information on the total remuneration of members of the Company's Board of Directors, Managing Director and Executive Directors and KMPs may be disclosed in the Board's report and the Company's annual report / website as per statutory and regulatory requirements as issued from time to time.

The Board will review the contents of, and compliance with, this Policy regularly. This Policy shall be effective from the financial year the date of approval of the policy by the Board or 3 months from the date of issuance of the IRDAI guidelines, whichever is earlier.

- **Performance Appraisal**

The CEO will conduct annual performance appraisals for all Employees to monitor and review the appropriateness of each remuneration package.

- **Board**

The Board will be responsible for approving the remuneration strategy for directors, senior management and other employees of the Company. In determining whether to approve the relevant level of remuneration, the Board will consider the recommendations from the Nomination & Remuneration Committee, prevailing market conditions, performance by the individual and the business strategies and objectives of the Company, subject to the regulatory guidelines issued from time to time.

- **Human Resources**

The Human resources division of the company will monitor the day to day compliance with this policy.