

**ManipalCigna Health Insurance Company Limited
(Formerly known as CignaTTK Health Insurance Company Limited)**

Nomination and Remuneration / Compensation Policy

Owner: Head-HR

Approver: ManipalCigna Board of Directors

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<u>Date of Review</u>	<u>Changes to Section</u>	<u>Review initiated by</u>	<u>Review signed off by</u>	<u>Review Approved by</u>	<u>Version Number</u>	<u>Effective from</u>
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30 th June 2015	Annual Review	Secretarial	Company Secretary	Board	1.1	13 th August 2015
7 th August 2016	Annual Review	Secretarial	Company Secretary	Board	1.2	9 th August 2016
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Confidentiality Clause:

All information held about the procedure or in connection with the procedure and any of the above is to be regarded as confidential. One will not at any time during tenure of employment or afterwards, disclose to any person any information as to the business, dealings, practice, accounts, finances, trading, software, know-how, affairs of the procedure or otherwise connected with the procedure. Any breach of this clause would constitute very serious disciplinary action.

Nomination and Remuneration/Compensation Policy

The Board of Directors of ManipalCigna Health Insurance Company Limited (Formerly known as CignaTTK Health Insurance Company Limited) (“the Company”) constituted the “Nomination and Remuneration Committee” at the Meeting held on 5th May 2014 consisting of three (3) Non-Executive Directors of which majority are Independent Directors.

1. Purpose of the Policy:

The Nomination and Remuneration Committee (“Committee”) of the Company and this Policy is in compliance with the provisions of Section 178 of the Companies Act, 2013, the Insurance Act, 1938 read with the provisions of the Guidelines on ‘Corporate Governance for Insurance Sector’ dated 18th May 2016 and the Guidelines on Remuneration of Non-executive Directors and Managing Director /Chief Executive Officer / Whole-time Directors of Insurers dated 5th August 2016 issued by Insurance Regulatory and Development Authority of India (‘IRDAI’) and such other rules / regulations as may be applicable to the Company.

The Policy is framed with the objective(s):

1. To ensure that the remuneration payable shall be reasonable and sufficient to attract, retain and motivate the working potential of the Director(s), Key managerial Personnel (KMP) and other employees of the Company;
2. To ascertain that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
3. To ensure that the remuneration to the Director(s), Key managerial Personnel (KMP) and other employees of the Company 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;
4. To lay down criteria with regard to identifying persons who are qualified to become Directors and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration;
5. To determine remuneration based on the Company’s size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry;
6. To carry out evaluation of the performance of Director(s), Key Managerial Personnel and other employees to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company’s operations; and
7. To lay down criteria for appointment, removal of directors, Key Managerial Personnel and Senior Management Personnel and evaluation of their performance.

2. Definitions:

- 2.1 **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2 **Board** means Board of Directors of the Company.
- 2.3 **Directors** mean Directors of the Company
- 2.4 **Policy or this Policy** means, "Nomination and Remuneration Policy."
- 2.5 **Key Managerial Personnel** means
- 2.5.1. Chief Executive Officer or the Managing Director or the Manager;
 - 2.5.2. Whole-time director;
 - 2.5.3. Chief Financial Officer;
 - 2.5.4. Company Secretary; and
 - 2.5.5. such other officer as may be prescribed.
- 2.6 **Senior management** shall mean all executives directly reporting to the Managing Director & Chief Executive Officer of the Company.

3. ROLE OF COMMITTEE:

3.1 **Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee.**

The Committee shall:

- 3.1.1 identify persons who are qualified to become director(s), Key Managerial Personnel (KMP) and who may be appointed in senior management in accordance with the criteria laid down.
- 3.1.2 recommend to the Board appointment and removal of directors, KMP and person appointed in senior management and shall carry out evaluation of every director's performance.
- 3.1.3 formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 3.1.4 recommend to the Board a policy, relating to the remuneration for the directors, Key Managerial personnel and other employees.
- 3.1.5 Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- 3.1.6 make independent/ discreet references, where necessary, well in time to verify the accuracy of the information furnished by the applicant.

3.2. Policy for appointment and removal of Director, KMP and Senior Management

3.2.1 Appointment criteria and qualifications

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director or at Senior Management level and recommend to the Board his / her appointment.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- c) The Company shall not appoint or continue the employment of any person as Whole-time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

3.2.2 Criteria for Remuneration to employees of the Company

- a) **Performance:** The Company shall while determining remuneration ensure that the performance of the employees and their commitment and efficiency is constructive and beneficial in generating commercial for the Company.
- b) **Responsibilities and Accountability:** The roles and responsibilities towards the organization and the position of the employees shall be formerly evaluated to fix the remuneration.
- c) **Transparency:** The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- d) **Flexibility:** The Remuneration payable shall be flexible to meet both the needs of individuals and those of the Company while complying with relevant tax and other legislation.
- e) **Affordability and Sustainability:** The remuneration payable is affordable and on a sustainable basis.
- f) **Others:**
 - i. Conducting benchmarking with companies of similar type on the remuneration package;
 - ii. 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;
- iii. Clear linkage of remuneration and appropriate performance benchmarking; and
- iv. Remuneration involves a balance between fixed and incentive pay reflecting short and long-term performance objectives to the working of the Company and its goals.

3.2.3 Term/Tenure

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director 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.

b) Independent Director:

- i. 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 re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- ii. 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. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

3.2.4 Evaluation

The Committee shall carry out evaluation of performance of every Director at regular interval (yearly).

3.2.5 Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

3.2.6 Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the

Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.3 Policy relating to the Remuneration for the Whole-time Director and KMP.

3.3.1 General

- a) The remuneration / compensation / commission etc. to the Whole-time Director and KMP will be determined by the Committee and recommend to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and/or Insurance Regulatory and Development Authority and/or Central Government, wherever required.
- b) In determining the remuneration of Whole-time Director and KMP the Committee should consider the followings among others:
 1. Conducting benchmarking with companies of similar type on the remuneration package;
 2. 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;
 3. Clear linkage of remuneration and appropriate performance benchmarking; and
 4. Remuneration involves a balance between fixed and incentive pay reflecting short and long-term performance objectives to the working of the Company and its goals.
- c) Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.
- d) The eligible employees may be given Club Membership benefit by ManipalCigna Health Insurance Company Limited (formerly known as CignaTTK Health Insurance Company Limited) of the Company.
- e) The eligible employees may be given an option to participate in the Car Lease Policy under ManipalCigna Health Insurance Company Limited Car Lease Scheme (the Scheme) of the Company in accordance with the provisions of the scheme.
- f) The eligible employees may be granted Stock Options under ManipalCigna Health Insurance Company Limited Employee Stock Option Scheme – 2021 (the Scheme) of the Company or any such Employee Stock Option Scheme floated in due course of time, in accordance with the provisions of such scheme.

3.3.2 Remuneration of Whole-time Director/Chief Executive Officer/Managing Director

- a) Remuneration shall be:
- i. Adjusted for all types of risk.
 - ii. Symmetric with risk outcomes.
 - iii. Sensitive to the time horizon of the risk.
 - iv. Mix of cash and other forms of remuneration so as to be consistent with risk alignment.
- b) a wide variety of measures of credit, market and liquidity risks shall be used in implementation of risk adjustment for determining MD/CEO/WTD remuneration. Such risk adjustment shall at least include following parameters:
- i. Persistency
 - ii. Solvency
 - iii. Grievance Redressal [Measure –Net Promoter Score (NPS)]
 - iv. Expenses of Management (Measure-Earnings)
 - v. Claim settlement
 - vi. Claim repudiations
 - vii. Overall Compliance status
 - viii. Annual New Premium
 - ix. Overall financial position such as Net-Worth Position of Insurer, Asset under Management (AUM) etc.
- c) The remuneration and commission shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company, provisions of the Act and as per the provisions of the Guidelines on Remuneration of Non-executive Directors and Managing Director /Chief Executive Officer / Whole-time Directors of Insurers dated 5th August 2016 issued by IRDAI and such other applicable rules and regulations.
- d) Increments, bonuses, incentive, Employee Stock Options, Long Term Incentive Plans and other rewards to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be approved by the Shareholders of the Company and/or IRDAI and/or Central Government, wherever required.

e) Fixed pay

Total fixed portion of remuneration shall be reasonable taking into account all relevant factors.

f) Variable pay composition and deferral

- i) There should be proper balance between fixed pay and variable pay while designing the remuneration arrangements. At higher levels of responsibility, the proportion of variable pay may be higher.
- ii) The deterioration in the financial performance of the Company and the other parameters specified at point no. 3.3.2.b above should lead to a contraction in the total amount of variable remuneration paid.
- iii) In case the variable pay including Performance Bonus constitutes more than 40% of the Total Fixed Pay, the variable pay amount will be deferred over a period of three years. The percentage and the tranches amount of the variable pay to be deferred over the period of three years shall be approved by the Committee and/or Board of Directors and Shareholders of the Company as may be required. The parameters for deferred payment should be linked to the Long term performance of the organization and should be stated at the time of communication of deferment.
- iv) In case of deferral arrangements of variable pay, the deferral period should not be less than three years. Remuneration payable under deferral arrangements should vest no faster than on pro rata basis.

g) Clawback

In case of deferral remuneration, in the event of any negative trend in the parameters specified in para 3.3.2.b and/or the relevant line of business in any year during the vesting period, any unvested / unpaid portions are to be clawed back. However, while exercising such provisions due consideration may be given to the actual / realized performance of the insurer. The Company may put in place appropriate mechanism to incorporate claw back mechanism in respect of variable pay, linked to such parameters as are defined at para 3.3.2.b above.

h) Guaranteed bonus

- i. Joining / sign on bonus should only occur in the context of hiring new staff and be limited to first year. However, payment of such bonus may be made beyond the year of joining.
- ii. Severance pay other than accrued benefits (gratuity, pension, etc.) should be granted with the prior approval of the Board. Severance pay does not include notice period pay.

3.3.3 Remuneration to Non- Executive / Independent Director

a) The Non- Executive / Independent Director may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One Lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

b) For Non-Executive Directors following shall be applicable:

- i) reimbursement of their expenses for participation in the Board and other meetings, subject to compliance with the provisions of the Companies Act, 2013.
- ii) Payment of remuneration in the form of profit related commission, subject to the Company making profits. Such remuneration, however, shall not exceed Rs. Ten lakh per annum for each such director excluding Chairman. For the Chairman of the Board, the remuneration may be decided by the Board of Directors of the Company.

4. Membership

- 4.1 Members of the Committee shall be appointed by the Board with a minimum of three Non-Executive Directors out of which not less than one-half shall be Independent Director.
- 4.2 The Chairman of the Committee shall be elected from members amongst themselves who shall be an Independent Director. In the absence of the Committee's Chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 4.3 Only members of the Committee have the right to attend and vote at the Committee meetings and any other person required to attend the meeting will have no right to vote.
- 4.4 The Chairperson of the Committee or, in his absence, any other member of the Committee authorized by him in this behalf shall attend the general meetings of the Company.

5. Loan or temporary advances

In accordance with the provisions of the Insurance Regulatory and Development Authority of India (Loans or Temporary advances to the Fulltime Employees of the Insurers) Regulations, 2016, the Company may grant the loans or temporary advances to its full time Employees for the following purposes:

- a. Loan for purchasing of car and / or two wheeler;
- b. Loan for purchasing of personal computer and for other electronic devices;
- c. Loan for purchasing of furniture;

- d. Loan for constructing/acquiring a house for personal use;
- e. Loans for education of the children of the employees
- f. Advance for Festival;
- g. Any other purpose as may be specified in this Policy.

The terms and conditions of such loans or advances for the amount not exceeding the total fixed pay per annum of the employee, shall be such as may be decided by the Management of the Company. Provided that the interest rate charged on loan or temporary advances to whole-time Directors and other officers cannot be lower than the rate charged on loans or temporary advances to the employees of the Company.

Provided further that the aggregate of all loans taken together by a full time employee shall not exceed rupees one crore and shall be linked to the fixed remuneration of the employees.

6. Frequency of the meetings

The Committee shall meet at such times so as to enable it to carry out its powers, functions, roles & responsibilities.

7. Committee Members' Interests

7.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

7.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. Secretary

The Company Secretary of the Company shall act as Secretary of the Committee.

9. Minutes of Committee Meeting

Proceedings of all meetings must be minuted and signed by the Chairman of the said meeting or the Chairman of the next succeeding meeting. Minutes of the Committee meeting will be tabled at the subsequent Board and Committee meeting.