



Policy Relating to the Nomination and Remuneration of Directors, Key Managerial Personnel (KMP) and Other Employees

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1. Introduction

1.1 Background

The Policy on Nomination and Remuneration of Directors, KMPs and other employees i.e. senior management is formulated under the requirements of CA 2013, LODR 2015 CGG 2016 and Guidelines on Remuneration of Non-Executive Directors and Managing Directors/Chief Executive Officer / Whole time Directors issued by IRDAI.

1.2 Objectives

The key objectives of the Policy are as follows:

- a. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the Board, policies relating to the remuneration (payable in whatever form) of the Directors, KMPs and Senior Management;

The criteria of Independence shall have the same meaning as referred in CA 2013, LODR 2015, CGG 2016 and any other laws applicable to the Company.

- b. To identify persons who are qualified to become directors and who may be appointed to Senior Management positions in accordance with the criteria laid down and recommend to the Board their appointment and removal.
- c. To provide Directors, KMPs and Senior Management, rewards linked directly to their effort, performance, commitment, and achievements relating to the Company's operations.
- d. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- e. To determine whether to extend or continue the terms of appointment of the Independent Director(s), on the basis of the report of performance evaluation of Independent Directors.
- f. To appoint, evaluate and terminate consultants and experts if necessary, to advise the committee on key remuneration aspects of executives and to determine their independence, fees, and retention terms.

1.3 Applicability

The Policy shall be applicable for the appointment/re-appointment and remuneration of

- a) Non-Executive Directors
- b) WTD/ CEO/MD
- c) KMPs
- d) Senior management

1.4 Review and approval of the policy

Based on the recommendations of the Committee, the Board may review and amend the Policy, if required, as per the needs of the Company.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly.

2. Policy Requirements

2.1 Policy Statement

This Policy shall act as a guideline on matters relating to the remuneration, appointment and removal of the Directors, KMPs and senior management.

2.2 Appointment/ Reappointment

2.2.1 Non-Executive Directors

- a. The Committee shall scrutinize the declarations of intending applicants and recommend to the Board the persons proposed to be appointed as Directors and their remuneration.
- b. The Committee may also seek independent/discreet references, where necessary, well in time, to verify the accuracy of the information furnished by the applicants.
- c. The Committee, for every appointment of an Independent Director shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an Independent Director. The Committee may use the services of an external agency, consider candidates from a wide range of backgrounds, having due regard to diversity and consider the time commitments of the candidates.
- d. The Board based on the recommendation of the Committee shall approve appointment of the proposed candidates and their remuneration.
- e. The appointment and remuneration shall be approved by the shareholders post Board approval.
- f. The Company may appoint /continue the directorship of a Non-Executive Director who has attained seventy-five years provided the appointment is approved by the shareholders by passing a special resolution.

2.2.2 Independent Directors

- a. An independent director shall be appointed, re-appointed or removed subject to the approval of shareholders by way of a special resolution.
- b. The Independent Directors 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.
- c. No Independent Director shall hold office for more than two consecutive terms of up to maximum of 5 years each, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.
- d. 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.
- e. An Independent Director, who resigns from the Company, shall not be appointed as an Executive / Whole-time Director on the Board of the Company, its holding, subsidiary or associate company or on the Board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an Independent Director.

2.2.3 Whole-time Directors/ Chief Executive Officer /Managing Directors (WTD/ CEO/ MD)

- a. The Committee shall scrutinize, ensure a proper due diligence is conducted and recommend to the Board the persons proposed to be appointed as WTD/CEO/MD

- b. The Board based on the recommendation of the Committee shall approve appointment of the proposed candidates subject to the approval of the shareholders and IRDAI.
- c. The Company may continue the employment of any person as WTD who has attained the age of seventy years, with the approval of shareholders by passing a special resolution.
- d. The Company shall appoint or re-appoint any person as its WTD/CEO/MD 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.
- e. The Board shall ensure that plans are in place for orderly succession for appointment to the Board.

2.2.4 KMPs and Senior Management

- a. The Committee shall scrutinize and recommend to the Board, the persons proposed to be appointed as KMPs and Senior Management.
- b. The Board based on the recommendation of the Committee shall approve appointment of the proposed candidates
- c. The Company shall have practices in place for succession planning for KMPs and Senior Management through a process of proper identification and nurturing of individuals for taking over the positions.
- d. All terminations of KMP and Senior Management shall be made with the approval of Board on recommendation of the Committee.

2.3 Remuneration

2.3.1 Non-Executive Directors

- a. Remuneration of Non-Executive Directors shall be in compliance with the provisions of CA 2013, LODR 2015 and the guidelines issued by IRDAI.
- b. Payment of remuneration in the form of profit related commission to the Non-Executive Directors is subject to Company making profits. Such remuneration, however, shall not exceed the limits if any, prescribed by IRDAI for each such Director excluding Chairman of the Board.
- c. The remuneration payable to each Non-Executive Director shall be based on the remuneration structure as determined by the Board, and will be revised from time to time, depending on individual contribution, the Company's performance and based on the Evaluation of the Director and the provisions of CA 2013, rules and regulations made thereunder. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Non-Executive Directors in accordance with the provisions of Schedule V of CA 2013.
- d. The Non- Executive Directors shall be entitled to sitting fee, reimbursement of for participation in the Board and other meetings as approved by the Board from time to time.
- e. Apart from sitting fees and other expenses, remuneration may be paid commensurate with an individual Director's responsibilities and demands on time, which are considered sufficient to attract qualified competent individuals, in the form of fixed remuneration. Such remuneration, however, shall not exceed the limits prescribed by IRDAI.
- f. The Non- Executive Directors shall be entitled to stock options as prescribed under the provisions of CA 2013, LODR 2015 and the guidelines issued by IRDAI.

2.3.2 Independent Directors

- a. Remuneration of Independent Directors shall be in compliance with the provisions of CA 2013, LODR 2015 and the guidelines issued by IRDAI.

b. The Independent directors may receive remuneration by way of sitting fee, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the Board and shareholders subject to the limits if any, prescribed by IRDAI.

c. The Independent directors shall not be entitled to any stock option.

2.3.3 WTD/ CEO/ MD

a. The remuneration package shall be aligned appropriately with the performance objectives laid down for the Executive Directors and shall be in accordance with CA 2013, LODR 2015 and guidance issued by IRDAI from time to time.

b. The remuneration, including revision in remuneration, payable to the Chairman, CEO and the Managing Directors shall be recommended by the Committee to the Board.

c. Remuneration shall involve a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

d. The fixed pay may include basic pay, dearness allowance, house rent allowance, contribution towards superannuation/retirement benefits like PF, gratuity, perquisites and other allowances if any.

e. The variable pay may include cash, stock linked instruments (excluding ESOPs) or mix of both. Wherever the variable pay is substantial, 30% of such variable pay shall be deferred equally over a period of 3 years.

f. The Committee is authorised to set out performance parameters including but not limited to the following for determining the variable pay.

- i. Persistency
- ii. Solvency
- iii. Grievance Redressal
- iv. Expense of Management
- v. Claims settlement
- vi. Claim repudiations
- vii. Overall compliance status
- viii. Asset under Management

g. Guaranteed bonus may be paid only to new recruits and shall be limited to first year. However payment of Guaranteed Bonus may be made beyond the year of joining.

h. Severance pay other than accrued benefits (gratuity, pension etc) shall be made with the prior approval of the Board. Severance pay will not include notice period pay.

i. Clawback shall be applicable in the case of deferred remuneration in the event of negative trend in respect of the parameters determined by the Committee. However, the Committee shall have the authority to decide on application of clawback based on various factors causing the negative trend.

j. The WTD/CEO/MD shall be eligible for loan and temporary advances under Company's policy on Grant of Loans and Temporary advances

k. The Company shall pay remuneration to its WTD/CEO/MD in accordance with the provisions of Schedule V of CA 2013, if in any financial year, the Company has no profits, or its profits are inadequate.

2.3.4 KMP and Senior Management Personnel

a. The Committee shall recommend to the Board, all remuneration, in whatever form, payable to KMP and Senior Management.

- b. The composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate the KMP and Senior Management of the quality required to effectively run the Company. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks.
- c. The Committee shall aim to ensure that KMP and Senior Management pay is reflective of market pay, consisting of a mix of base/ fixed pay, performance bonus and stock incentives like ESOPs etc. The emphasis on stock incentives ensures alignment with shareholders' interests, through a continued focus on the Company's sustainable, long term performance.
- d. The remuneration to KMPs and senior management may be revised through the annual salary review process from time to time as per the Employee Service Rules of the Company. The Chairman & CEO is authorised to decide the quantum of such increment, incentives/performance bonus etc.
- e. Exercise of ESOPs by the KMPs shall attract the provisions of Sec 6A of the Insurance Act and prior approval of IRDAI to be obtained wherever the quantum of exercise by one or more KMPs cumulatively exceeds 1% of the paid-up capital of the Company.
- f. The KMP and Senior Management shall be eligible for loan and temporary advances under Company's Policy on Grant of Loans and Temporary advances.
- g. The KMP and Senior Management shall also be eligible under Goodwill Gesture Scheme (GSS) or any other staff welfare schemes of the Company. The Chairman & CEO is authorised to approve payments under the said schemes.
- h. Revision in remuneration of KMP assuming the position of a Director within the meaning of the CA 2013, shall require prior approval of the Committee and the Board. Such Director shall not participate in discussions and voting thereon.

2.4 Changes amongst Directors and KMPs

The Committee may recommend to the Board, changes in Board or KMP in accordance with the provisions of the CA 2013, LODR 2015 and applicable Company policies from time to time.

2.5 Superannuation/Retirement

The Directors and KMP shall retire as per the applicable provisions of CA 2013 or as per the prevailing policy of the Company respectively.

The KMPs shall superannuate as per the applicable provisions of the regulation and prevailing policy of the Company. The Board will have the discretion to retain the KMP in the same position / remuneration or revised remuneration after attaining the date of superannuation for organizational development reasons.

3. Compliance and Reporting

The Company shall disclose remuneration paid to Directors and KMPs on an annual basis at the minimum, in the Annual Financial Statements as required under the relevant provisions of CA 2013 and the rules made there under and the IRDAI Remuneration Guidelines, as amended from time to time

The Policy shall also be placed on the website of the Company, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.

4. Appendices

4.1 Definitions

4.1.1 Board means the Board of Directors of the Company.

- 4.1.2 CA 2013** means the Companies Act, 2013 and rules made thereunder, as amended from time to time.
- 4.1.3 CGG 2016** means the Corporate Governance Guidelines for Issuers in India, 2016 issued by the IRDAI.
- 4.1.4 Committee** or NRC shall mean Nomination and Remuneration Committee.
- 4.1.5 Company** means Star Health and Allied Insurance Company Limited.
- 4.1.6 Director** shall mean Directors as defined under section 2(34) of the CA 2013.
- 4.1.7 IRDAI** shall mean Insurance Regulatory and Development Authority of India.
- 4.1.8 IRDAI Remuneration Guidelines shall mean** Guidelines on Remuneration of Non-Executive Directors and Managing Directors/Chief Executive Officer / Whole time Directors issued by IRDAI.
- 4.1.9 Remuneration** shall mean any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.
- 4.1.10 Substantial Pay** shall mean variable pay more than 70% of the total remuneration.
- 4.1.11 Key Managerial Personnel (KMP)** shall mean members of the core management team of an insurer including all Whole-time Directors (WTD)/Managing Directors (MD)/Chief Executive Officer (CEO) and the functional heads one level below the MD/CEO, including the
- i. Chief Financial Officer
 - ii. Company Secretary
 - iii. Chief Risk Officer
 - iv. Chief Marketing Officer
 - v. Chief Compliance Officer
 - vi. Chief Investment Officer and
 - vii. Appointed Actuary
- 4.1.12 LODR 2015** means the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
- 4.1.13 Policy** means this policy relating to the Nomination and Remuneration of Directors, KMP and other employees as amended and approved by the Board from time to time.
- 4.1.14 SEBI** means the Securities and Exchange Board of India.
- 4.1.15 Senior Management** shall mean officers/personnel of the Company who are members of the core management team excluding Board and normally this shall comprise all members of management one level below the “Chief Executive Officer/Managing Director/Whole time Director/Manager (including Chief Executive Officer/Manager, in case they are not part of the Board.

Capitalised terms used in this Policy and not defined above shall have the same meaning as assigned to them under the LODR 2015 or any other applicable law or guidelines.