

## **Nomination and Remuneration Policy**

Navi General Insurance Limited

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## Index

Sr. No.	Table of contents	Page No.
1.	Preamble	3
2.	Objective	3-4
3.	Applicability	4
4.	Definitions	4-5
5.	Role and Framework of the Nomination and Remuneration Committee	5
6.	Appointment/Reappointment of Directors, KMPs & SMPs	5-11
7.	Resignation/removal of Directors, KMPs & SMPs	11
8.	Remuneration of Directors, KMPs & SMPs	11-14
9.	Malus and Claw-back	14-15
10.	Formulate the criteria for evaluation of performance of all the Directors on the Board	15
11	Delegation of authority	15
12.	Disclosures	6
13	Review of the Policy	16

## NOMINATION AND REMUNERATION POLICY

### 1. Preamble

This Nomination and Remuneration Policy ('Policy') has been formulated by Navi General Insurance Limited ('Company') in accordance with the provisions of Section 178 of the Companies Act, 2013 and the IRDAI (Corporate Governance for Insurers) Regulations, 2024 read with Master Circular on Corporate Governance for Insurers, 2024 as amended from time to time.

### 2. Objective

This Policy is framed with the following objectives:

- a. To lay down criteria for identifying persons who are qualified to become directors and persons who may be appointed as KMPs and SMPs ;
- b. Retain, motivate and promote talent and to ensure long term sustainability of talented KMPs and SMPs;
- c. Develop and regularly review succession plan for the Board ;

- d. Formulate the criteria for evaluation of performance of all the Directors on the Board
- e. Identifying the criteria for determining the qualifications, positive attributes, and independence of a Director; and
- f. To determine remuneration framework based on the Company's size and financial position, alignment with prudent risk taking, performance parameters, and trends and practices on remuneration prevailing in peer companies in the similar industry.
- g. Ensure that any performance-based incentives offered by the Company do not create incentives for inappropriate risk taking, are aligned with long term value creation and the time horizon of risks to which the Company may be exposed.

### 3. Applicability

This Policy shall be applicable and act as a guiding principle with regard to the identification, appointment and remuneration to all Directors (including Independent Directors), Key Managerial Personnel's, Senior Management Personnel's and other employees of the Company.

### 4. Definitions

- a. 'Act' means the Companies Act, 2013 as amended from time to time
- b. 'Board' means Board of Directors of the Company.
- c. 'Committee' means Nomination and Remuneration Committee of the Company as constituted or re-constituted by the Board, in accordance with the Act and the IRDAI Regulations; .
- d. 'Company' means Navi General Insurance Limited.
- e. 'Claw-back' is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.
- f. 'Director' means director appointed to the Board of the Company.
- g. 'Independent Director' means a director referred to in Section 149(6) of the Act and the rules made thereunder, as amended.
- h. 'IRDAI' means Insurance Regulatory and Development Authority of India.
- i. 'IRDAI Regulations' means IRDAI (Corporate Governance for Insurers) Regulations, 2024 read with Master Circular on Corporate Governance for Insurers, 2024, as amended from time to time;
- j. 'Key Managerial Personnel or 'KMPs' means persons as defined under the Act and in the Insurance Regulatory and Development Authority of India (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) Regulations, 2024 as amended from time to time.

- k. 'Malus' is an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred.
- l. 'NEDs' means Non-Executive Directors.
- m. 'Policy' means this Nomination and Remuneration Policy.
- n. 'Senior Management Personnel's or 'SMPs' means the personnel of the Company as laid down under Explanation to Section 178 of the Act and IRDAI Regulations

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in the Act, and the Guidelines, Circulars, Regulations issued by IRDAI, as may be amended from time to time, shall have the meaning respectively assigned to them therein.

## 5. Role and Framework of the Nomination and Remuneration Committee

The Board has constituted the Committee in line with the requirements under the Act and the IRDAI Regulations. This Policy and the Nomination and Remuneration Committee Charter are integral to the functioning of the Committee and are to be read together. The Board has authority to reconstitute this Committee from time to time.

The Committee shall work in close coordination with the Risk Management Committee of the Company to achieve effective alignment between the remuneration payable and risks and shall ensure the following in such process:

- Remuneration is adjusted for all types of risk by considering both qualitative and quantitative elements;
- Remuneration outcomes are symmetric with risk outcomes;
- Remuneration pay outs are sensitive to the time horizon of the risk; and
- The mix of cash, equity and other forms of remuneration are consistent with risk alignment.

## 6. Appointment/reappointment of Directors, KMPs & SMPs

### I. Appointment of Directors:

#### A. Board of Directors:

- a. The Company shall have a Board comprising of competent and qualified individuals as directors, with qualifications and experience that are commensurate with scale, nature, complexity of business and size of the

Company, from various areas of financial and management expertise such as the lines of insurance business underwritten, actuarial and underwriting risks, finance, accounting, control functions, investment analysis and portfolio management, customer grievance management, law, banking, securities, economics, etc.,

- b. The Company shall ensure an optimum composition of Independent Directors and non-executive directors, subject to a minimum of three Independent Directors.
- c. The Chief Executive Officer shall be a Whole-time Director of the Board
- d. The Chairperson of the Board shall be appointed with the prior approval of the Competent Authority except for public sector insurers.
- e. The Committee and the Board shall be responsible to ensure a transparent nomination process to the board of directors with the diversity of thought, experience, knowledge, perspective and gender in the Board.
- f. The Company shall comply with the terms and conditions for appointment of common directors between insurers and insurance agents or intermediaries or insurance intermediaries as provided under section 48A of the Insurance Act and IRDAI Regulations.
- g. It shall satisfy itself that there are succession plans in place for appointment to new directors and senior management.
- h. In evaluating the suitability of individual candidate, the Committee will take into account multiple factors, including general understanding of the business, education, professional background, personal achievements, individual skills, expertise and competency, knowledge of global business, financial management, strategy and planning, technology, governance, professional ethics, integrity, and other disciplines as may be identified by the Committee and/or the Board from time to time, that may be relevant to the Company's business.
- i. Apart from the above, candidates for Independent Directors on the Board of the Company should comply with the criteria for Independence as stipulated in the Act and the IRDAI Regulations , as amended or re-enacted or notified from time to time. Such candidates should also comply with other applicable regulatory requirements relating to Independence or as may be laid down by the Committee / Board from time to time.
- j. The Committee shall identify and ascertain the qualification criteria for appointment of Directors and on that basis, shall evaluate proposals for appointment of directors on the basis of qualification criteria and positive

attributes referred to hereinabove and make its recommendations to the Board.

- k. Shareholders approval shall be obtained for appointment of directors including Independent Directors at the next General Meeting.

**B. Composition:**

- a. The Committee shall identify an appropriate mix of Independent, Non-Executive and Executive Directors, Woman Directors to meet the criteria as set out in the Act, and the IRDAI Regulations as amended or re-enacted or notified from time to time.
- b. The Company shall have at least one director who has stayed in India for a total period of not less than 182 days during the financial year. T

**C. Qualification:**

- a. The qualification criteria of the Directors shall be as per the provisions of the Act and IRDAI Regulations and other applicable laws, as amended from time to time.

**D. Fit and Proper Criteria:**

- a. In evaluating the suitability of individual candidate, the Committee will take into account multiple factors, including general understanding of the business, education, professional background, personal achievements, individual skills, expertise and competency, knowledge of global business, financial management, strategy and planning, technology, governance, professional ethics, integrity, and other disciplines as may be identified by the Committee and/or the Board from time to time, that may be relevant to the Company's business.
- b. The maximum age limit for Non-Executive Directors, including the Chairperson of the Board, shall be 75 years and after attaining the age of 75 years no person shall continue on the Board of the Company.
- c. The Director shall furnish his/her Director Identification Number and a declaration that he/she is not disqualified to become a director under the Act,
- d. Director shall provide such other confirmation/consent/disclosures as required under the Act and IRDAI Regulations.
- e. The Directors of the Company shall be suitable persons who meet the "fit and proper" criteria. The criteria to be satisfied, at a minimum, would relate to integrity demonstrated in personal behaviour and business conduct, soundness of judgment and financial soundness. The fit and proper requirements seek to ensure that the Director should not have been convicted or come under adverse notice of the laws and regulations involving moral turpitude or of any professional body.

- f. With a view to ensuring that the Directors comply with the above requirement, a due diligence enquiry should be undertaken on the person to be appointed as Director or for the continuance of the existing Directors only after obtaining a declaration from the proposed/existing Directors in the format given in Annexure 4 of Master Circular Master Circular on Corporate Governance for Insurers, 2024, at the time of their appointment/re-appointment

**E. Disqualification:**

- a. A person shall not be eligible for appointment as a director of the Company if he/she falls under the criteria mentioned under Section 164 of the Act.
- b. A promoter/shareholder cannot hold a whole time position in the Company. However, this condition will not apply in cases where an employee becomes a shareholder by virtue of shares received through ESOPs/Public Offering during the course of employment.

**F. Tenor:**

- a. The tenure of directors shall be in compliance with the Act, Insurance Act, 1938 and IRDAI Regulations.

**II. Appointment/reappointment of Managing Director (MD/Whole Time Director (WTD)/Chief Executive Officer (CEO)**

**A. Qualifications:**

- a. The Company shall appoint/reappoint a MD/ CEO or Whole-time Director(s) (WTD), by whatever name called in accordance with the provisions of Section 34A of the Insurance Act read with IRDAI Regulations and the Act. The Board shall carry out effective due diligence to ensure that the incumbent is 'fit and proper' before recommending his/ her name for necessary approvals.
- b. Such persons should not be disqualified under the provisions of Section 196 read Part I with Schedule V of the Act.
- c. A promoter/shareholder cannot hold a whole time position in the Company. However, this condition is not applicable in cases where an employee becomes a shareholder by virtue of shares received through ESOPs/Public Offering during the course of employment.
- d. Additionally, he/she should meet all the eligibility criteria which are applicable for non-executive directors except independent directors.

- e. No person shall continue as MD, CEO or WTD of the Company beyond the age of 70 years.

**B. Approval:**

- a. Appointment/Re-appointment or modification in the remuneration, if any, of MD/CEO/WTDs requires prior approval of the Authority in terms of Section 34 A of the Insurance Act, 1938.
- b. The applications relating to appointment, reappointment of MD/CEO/WTD shall be submitted to the IRDAI at least six months in advance from the expected date of taking over by new incumbent or the last day of the present incumbent's tenure.

**C. Tenor**

- a. The Company shall appoint MD/CEO or WTD for a consecutive term of 5 years and can re-appoint such person in accordance with the provisions of Section 196, 197 and 203 read with Schedule V of the Act and IRDAI Regulations.
- b. Subject to the statutory approvals required from time to time, the post of the MD/CEO or Whole-time Director(s) (WTD) shall not be held by the same incumbent for a continuous period of more than 15 years. Thereafter, the Company may re-appoint such persons as MD, CEO or WTD, if considered necessary and desirable by the Board, after a cooling off period of at least one year, subject to meeting other applicable conditions.

**III. Appointment of Chairman**

- a. The Committee shall recommend candidature of one of the Members of the Board excluding the MD/CEO/WTD for the post of Non-Executive Chairperson to the Board.
- b. The proposal for appointment of Chairperson of the Board shall be submitted as in accordance with IRDAI Regulations for prior approval of IRDAI.

**IV. Appointment/Reappointment of Independent Directors**

**A. Qualifications:**

- a. The Company should appoint such persons as independent directors who in the opinion of the Board of the Company, are persons with integrity, possessing relevant expertise and experience and who satisfy the below given criteria for independence under Section 149 of the Act and .
- b. The Independent directors shall follow the Code of Conduct of the Company which shall set out the duties of the Independent Directors. Independent Directors should

have registered on the Indian Institute of Corporate Affairs ("IICA") for inclusion of name in the Data Bank for One Year/ 5 years/Lifetime within due date as prescribed in sub-rule (1) of Rule 6 of Companies (Appointment and Qualification of Directors) Rules, 2014 and shall take, from time to time, necessary steps, as specified in subrule (2) of captioned rule, till they continue to hold the office of an Independent Director in the Company.

- c. An Independent Director shall comply with the provisions of the Insurance Act, 1938, the Act, SEBI Act and rules, regulations, circulars etc. issued thereunder (as applicable) and such other requirements as may be specified by the IRDAI.
- d. In addition to the above, such person shall meet all the criteria which is applicable to other non-executive directors.
- e. An appointment letter shall be issued to the Independent Director laying down the terms and conditions, including his duties, responsibilities, sitting fees, etc.

**C. Tenor:**

- a. An Independent Director may be appointed for a term of up to five consecutive years on the Board of the Company, and shall be eligible for re-appointment for the second term on passing of a special resolution by the Company.
- b. No independent Director shall hold office for more than two consecutive terms. Such independent director shall be eligible for re-appointment only after a cooling-off period of at least three years.

**V. Appointment of KMPs and SMPs**

- a. A person to be appointed as KMP or SMP should possess adequate qualification, expertise and experience relevant to the position for which purpose the executive is being appointed, as identify and ascertained by the Committee. Such person should also possess integrity, deep expertise, insights in sectors / areas relevant to the Company, an ability to contribute to the Company's growth, and have complementary skills in relation to the other existing KMPs/ SMPs of the Company.
- b. After identification and screening of the candidate, the Committee will propose the candidature to the Board for its consideration and for appointment.
- c. The KMPs shall be appointed by the Board on recommendation of the Nomination and Remuneration Committee. Further, the appointment of Appointed Actuary shall be in accordance with the Insurance Regulatory and Development Authority of India (Actuarial, Finance and Investment Functions of Insurers) Regulations, 2024.
- d. Chief Compliance Officer (CCO) shall be appointed for a minimum fixed tenure of not less than 3 years.

- e. Before appointment of a person as a KMP, the Board or Committee thereof shall carry out due diligence to ensure that the appointee is “fit and proper” for the proposed position. Insurers shall obtain declaration in Form KMP-1 annexed from the proposed KMP prior to their consideration for appointment.

## **7. Resignation/Removal of a Directors/KMPs/SMPs**

If a Director or a KMP / SMP attracts any disqualification as mentioned in any of the applicable Acts, Rules or Regulations or due to non-adherence to the applicable policies of the Company, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director or a KMP / SMP subject to the compliance of the applicable statutory provisions.

The MD and CEO/WTDs, KMPs, SMPs and directors of the Company can resign from their office in accordance with applicable policies of the Company and applicable laws.

In the event of vacancy due to retirement, resignation or otherwise, the Company shall inform the Registrar of Companies and/or IRDAI as the case may be. The Company shall fill KMP positions on a priority basis, to ensure that it shall not remain vacant for a continuous period of more than one hundred and eighty days.

## **8. Remuneration of Directors, KMPs & SMPs**

### **I. Remuneration to Non-Executive / Independent Directors**

The Non-Executive / Independent Directors (‘NEDs’) may be paid sitting fees for attending the meetings of the Board and of Committees of which they may be members and such other remuneration within regulatory limits prescribed under IRDAI Regulations and the Act as amended from time to time, and subject to the approval of the Shareholders, as applicable.

Total remuneration, however, shall not exceed Rupees Thirty lakh per annum for each Non-Executive director. If the Chairperson of the Company is a Non-Executive Director, the remuneration may be proposed by the Board. The remuneration of the chairperson shall be subject to prior approval by the Authority.

Non-Executive Directors shall not be eligible for any share-linked benefits. Further, no share-linked benefits shall be offered to Non-Executive Directors even by virtue of their position in any of the group entities.

The remuneration payable to each NEDs is based on the remuneration structure as determined by the Committee / Board, and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of relevant laws. If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its NEDs in accordance with the provisions of Schedule V of the Act.

They shall be covered under the Directors and Officers Liability Insurance (D&O) Policy. The Independent Directors shall not be entitled for the stock options, if any.

The Company may also reimburse the expenses for attending the Board / Committee meetings including traveling, boarding and lodging expenses to the NEDs of the Company.

Subject to the said limits, the amount of sitting fees and commission payable to the non-executive directors shall be as recommended by the Committee and / or approved by the Board, from time to time.

## **II. Remuneration to Managing Director ('MD'), Chief Executive Officer ('CEO'), Whole-Time Director ('WTD') and KMPs / SMPs**

A. Total compensation may comprise of:

- Fixed Pay
- Variable Pay

Where Fixed Pay, shall include:

- Basic Pay
- Allowances
- Gratuity and contribution to provident fund or any other superannuation/retirement benefits
  - Medclaim, personal accident insurance and life insurance coverage as per policy of the Company
  - Any other benefits/perquisites as may be periodically determined relevant by the Human Resource policies of the Company.

B. While designing remuneration packages, the following principles for compensation shall be taken into consideration:

- **Fixed Pay** – All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of

fixed pay. All perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay.

- **Variable Pay** – The variable pay may be in the form of cash or share-linked instruments (such as ESOPs), or a mix of cash and share-linked instruments, and shall also include any share linked instruments where the ultimate pay-out is in the form of cash (such as CSARs, phantom stocks etc). Variable Pay or any such performance incentive shall be paid/granted as per the regulatory timelines prescribed by IRDAI. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions. KMPs shall not be issued / granted sweat equity shares.

The Variable pay shall be performance-based using measures of individual, unit or group performance that do not create incentives for inappropriate risk taking. Performance based incentives shall be aligned with long term value creation and the time horizon of risks to which the insurer may be exposed.

- **Proportion of Variable** - Variable Pay shall be at least 50% of the fixed pay for the corresponding period and shall not exceed 300% of the fixed pay. Where variable pay is up to 200% of the fixed pay, a minimum of 50% of the variable pay shall be via non-cash instruments. The same limit would be 70%, in case the variable pay is above 200% of the fixed pay.
- **Deferral of variable pay** – A minimum of 50% of the total variable pay must invariably be under deferral arrangements and the deferral period shall be a minimum of 3 years. The first such vesting shall accrue after 1 year from the commencement of the deferral period. Vesting shall be no faster than on a pro rata basis and shall not take place more frequently than on a yearly basis to ensure a proper assessment of risks before the application of ex-post adjustments. No deferment of variable pay shall be required for an amount of up to Rs. 25 lakhs in any given year.
- **Guaranteed bonus/Joining/Sign on Bonus & Severance pay for wholetime Directors** – Guaranteed bonuses are not consistent with sound risk management or pay for performance principles and the Company will not encourage any kind of guaranteed bonus as part of remuneration plan. Joining or sign-on bonus may only be payable in the context of hiring new employee and will be preferably limited to first year. Such bonus not be considered part of fixed or variable pay. Further, other than accrued retirement benefits (such as provident fund, superannuation, and

gratuity payable on retirement) or any payments or benefits mandated by applicable law, no severance pay will be paid to KMPs.

The total remuneration payable to the Managing Directors / Chief Executive Officer / Whole Time Directors (including fixed pay, variable pay, and all its components) shall be recommended by the Committee and approval by the Board and shall be subject to approval of shareholders and the IRDAI, as applicable.

C. The broad parameters to be considered for determination of performance assessments for payment of variable pay to KMPs are:

- Overall financial position such as net-worth position, solvency, growth in asset undermanagement (AUM) , Operating Profit/net-profits, Embedded Value, Value of New Business including any other indicator that reflects the overall financial soundness;etc.
- Renewal Rate;
- Improvement of Grievance Redressal status;
- Compliance with Expenses of Management;
- Claims efficiency in terms of settled and outstanding claims;
- Reduction in unclaimed amounts of policyholders;
- Overall compliance status with respect to all applicable law;
- Such other parameters as may be stipulated under IRDAI Remuneration Guidelines.

Apart from the performance assessment for payment of incentives and variable pay, these parameters shall also form the basis for revision of the fixed pay.

The above parameters shall constitute at least 60% of the total weightage in the performance assessment matrix of Managing Directors/Chief Executive Officers/Whole Time Directors; and at least 30% of the total weightage in the performance assessment matrix of other KMPs individually.

#### **9. Malus and Claw-back:**

Malus & Clawback clauses shall be applied basis informed judgement of the Committee. The Malus and Clawback shall be applicable to variable pay (Cash/Deferred Cash/Share Linked Instruments) that will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others, and shall be actioned and reviewed by the Committee in the event of the following conditions:

- acts of gross negligence and integrity breach. Errors of judgment shall not be construed to be breaches under this;
- employee convicted of a felony;
- employee wilfully engages in illegal conduct or gross misconduct including fraud resulting in materially inaccurate financial statements which is materially and demonstrably injurious to the Company or its subsidiaries or affiliates, including competition with the Company or its subsidiaries or affiliates;
- employee conducts the compliance affairs at a sub-par level in respect of corporate governance and other regulatory matters;
- employee is in breach of Code of Conduct Policy published by the Company; and
- employee is found guilty under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013;

In case of deferred remuneration, in the event of any negative trend in the defined parameters and/or the relevant line of business in any year during the vesting period, unvested / unpaid portions of deferred variable pay shall be reduced or cancelled as per the assessment. However, while exercising such provisions, due consideration may be given to the actual / realized performance of the insurer.

The applicability period for Malus & Clawback shall be as determined by the Committee on a case-to-case basis.

#### **10. Formulate the criteria for evaluation of performance of all the Directors on the Board**

The Company has in place detailed checklist for Evaluation of the performance of the Board of Directors to comply with various provisions under the Act and also the formal annual evaluation made by the Board of its own performance (self-appraisals) and that of its committees and individual Directors as mentioned under the clause (p) of sub-section (3) of Section 134 of the Act.

#### **11. Delegation of authority**

The delegation of authority to review, approve and ratify any compensation intervention at a Company or individual level has been laid down, unless otherwise mentioned in the Policy. Any special compensation intervention not mentioned in the authorisation schedule that may be taken up at a Company, function or individual level is subject to the approval of the MD / CEO and Head of Human Resources, and shall be informed to the Committee.

## **12. Disclosures**

The disclosures as required under the relevant provisions of the Act and the rules made thereunder, and IRDAI Regulations, circulars/ guidelines/ notifications/ directions, any other regulatory or statutory requirement, issued from time to time, shall be made by the Company.

## **13. Review of the Policy**

This policy will be subject to annual review by the Committee keeping in view the regulatory changes, other benchmarks, industry practices etc. and the recommendations, if any, will be placed before the Board for their approval.

In case of any subsequent changes in the provisions of the Act, IRDAI Regulations or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations / guidelines, then the provisions of the Act or regulations/ guidelines would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.