

**NOMINATION AND REMUNERATION POLICY**  
**Max Life Insurance Company Limited**

**1. PREAMBLE**

- 1.1 Max Life Insurance Company Limited (“**Company**”) has a Nomination and Remuneration Committee (“**Committee**”) which shall at all times comprise of 3 (Three) or more non-executive Directors, of which at least half shall be Independent Directors, as required under Section 178 of the Companies Act, 2013 read along with the rules framed thereunder as amended from time to time (“**Companies Act**”). The Committee shall be chaired by an Independent Director.
- 1.2 This Nomination and Remuneration Policy (“**Policy**”) has been prepared in compliance with Section 178 of the Companies Act read along with IRDAI (Corporate Governance for Insurers) Regulations, 2024 (“**Corporate Governance Regulations**”) and the master circular on Corporate Governance for Insurers, 2024 (“**Master Circular**”). Corporate Governance Regulations and Master Circular jointly is referred as the “**CG Regulations**”.
- 1.3 The Board, in consultation with the Committee, has formulated and adopted this comprehensive Policy for the Non-Executive Directors to ensure compliance with the provisions of the Companies Act, 2013 and CG Regulations as amended.
- 1.4 The Committee in consultation with the Risk Management Committee shall make a coordinated effort to have an integrated approach to the formulation of this Policy.
- 1.5 The Committee shall review this Policy annually and/ or as may be required to ensure compliance with statutory and regulatory requirements, as prescribed under the provisions of the CG Regulations and the Companies Act.

**2. DEFINITIONS**

“**Board**” means Board of Directors of the Company;

“**Claw-back**” shall mean the contractual right of the Company to require a KMP to return whole or part of any previously paid, settled or vested Variable Compensation by the KMP under the circumstances stated in this Policy;

“**Control Function**” refers to Compliance, Risk, Audit, Actuarial and Secretarial;

“**Director**” means a director appointed to the Board of the Company;

“**Fixed Compensation**” shall mean and include the basic salary, house rent allowance, perquisites, other allowances, contributions and retirement benefits like provident fund, gratuity and superannuation and all other fixed items included in the Fixed Compensation component of such KMP;

“**Employee Stock Option Plan**” or “**ESOP Policy**” means the Max Financial Employee Stock Option Plan 2022, as amended from time to time and any other plan that the Company may adopt in future;

“**Employee Phantom Stock Plan 2018**” means the Employee Phantom Stock Plan 2018 adopted by the Company, as amended from time to time and any other plan that the Company may adopt in future;

“**Independent Director**” means a director so appointed in terms of the Companies Act;

“**IRDAI**” means the Insurance and Regulatory Development Authority of India;

**“Key Management Personnel”** or **“KMP”** means a member of the core management team of the Company as defined in the IRDAI (Registration of Indian Insurance Companies) Regulations, 2024 and the Companies Act, including:

- i. Managing Directors (**“MD”**),
- ii. Chief Executive Officer (**“CEO”**),
- iii. Whole-time directors (**“WTD”**),
- iv. Functional heads one level below the MD/CEO, including the Chief Financial Officer, Chief Investment Officer, Appointed Actuary, Chief Risk Officer, Chief Compliance Officer, General Counsel and/or Company Secretary, Chief Distribution Officer, Chief Marketing Officer, Head of Audit, Chief People Officer and Chief Operations Officer;

**“Malus”** shall mean the right of the Company, by virtue of which the Company can forfeit/ cancel/ reduce, the whole or part of any unpaid or unvested Variable Compensation due to any KMP, basis any negative trend in the defined parameters and/or the relevant line of business in any year during the deferral vesting period as set out in under this Policy;

**“Other Employees”** means all full-time employees of the Company excluding KMPs;

**“Remuneration”** means any money or its equivalent/ benefit/ amenity/ perquisite given or passed to any KMP or Other Employees for services rendered by him/ her and includes perquisites as defined under the Income-tax Act, 1961. Remuneration structure shall include Fixed Compensation and Variable Compensation, if any;

**“Share Linked Instruments”** means (i) Employee Stock Option schemes (ESOP); (ii) employee stock purchase schemes (ESPS); and (iii) stock appreciation rights schemes (SARS).

For the sake of clarity, all share linked benefits where the ultimate payout is in the form of cash such as cash- linked stock appreciation rights (CSARs), phantom stocks etc., shall be also be treated as Share Linked Instruments; and

**“Variable Compensation”** shall mean incentives, bonus, etc. in the form of cash and/ or Share Linked Instruments.

### **3. GUIDING PRINCIPLES/ OBJECTIVES**

The objective of this Policy is to provide an overall framework for the Remuneration of the Directors, KMPs and Other Employees of the Company, as covered under the provisions of the Companies Act and CG Regulations.

In this regard, this Policy seeks to ensure that:

- (a) there is effective governance of Remuneration by active oversight by the Board and the Committee;
- (b) there is effective alignment of Remuneration to prudent risk taking and that the Remuneration does not induce excessive or inappropriate risk taking that could be detrimental to the interests of this policyholders and/ or business of the Company;
- (c) the level and composition of Remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMPs and Other Employees having the quality required to run the Company successfully. Further, the Directors shall not be placed in a position of actual or perceived conflicts of interests in respect of remuneration decisions of the Company;

- (d) the interests of KMPs are aligned with the business strategy, risk tolerance and adjusted for risk parameters (as mentioned in clause 10.1.2), objectives, values, corporate culture and long term interests of the Company;
- (e) relationship of Remuneration to performance is clear, meeting appropriate performance benchmarks and consistent with the "pay-for-performance" principle; and
- (f) remuneration involves a balance between Fixed Compensation and Variable Compensation to appropriately reflect the value and responsibility of the role performed and to influence appropriate behavior and action in achieving the short and long-term performance objectives, appropriate to the working of the Company and its goals.

#### **4. ROLE OF THE COMMITTEE AND THE BOARD**

##### **4.1 Committee**

- (a) The role of the Committee shall be to ensure compliance to the relevant provisions of the Companies Act and CG Regulations and various other obligations as mentioned in the charter of the Committee as approved by the Board from time to time.
- (b) The Committee should recognize any actual or potential conflicts inherent in recommendations from Company's management dealing with Remuneration and ensure that recommendations from Company's management are supplemented with any advice from any external advisors, if required. The Committee shall also ensure that the Directors shall not be placed in a position of actual or perceived conflicts of interest concerning remuneration decisions.

##### **4.2 Board**

- (a) The Board shall oversee the effective implementation of this Policy, which does not induce excessive or inappropriate risk-taking, is in line with corporate culture, objectives, strategies, identified risk appetite, and long-term interest of the Company, and gives due regard to the interests of its policyholders and other stakeholders.
- (b) The Board shall ensure that the decision-making process identifies and manages conflicts of interests while structuring, implementing, and reviewing this Policy.

#### **5. APPOINTMENT AND REMOVAL OF DIRECTORS AND KMPs**

- 5.1 Any appointment, reappointment, termination of a MD/ CEO/ WTD (by whatever name called) or any amendment thereto will be done and will have effect only after prior approval of IRDAI, subject to the compliance with the provisions of the CG Regulations.
- 5.2 The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person being appointed as a Director or a KMP and recommend his/ her appointment to the Board.
- 5.3 A Director or KMP should possess adequate qualification, expertise and experience for the position he/ she is considered for appointment as a Director or a KMP. The Committee has the discretion to decide whether the qualification, expertise and experience possessed by a person are sufficient/ satisfactory for the concerned position.
- 5.4 The Committee shall ensure that a requisite framework exists for appointment and

qualification requirements for the human resources and which ensures that the incentive structure does not encourage imprudent behavior or any excessive or inappropriate risk-taking behavior.

- 5.5 The Board and the Committee shall ensure that KMPs shall not simultaneously hold more than one position in the Company that could lead to conflict or potential conflict of interest such as 'business and Control Function' or 'two Control Functions'.

## **6. TERM AND TENURE**

### **6.1 MD/ WTD/ CEO:**

- (a) The Company shall appoint or reappoint any individual as its MD/ WTD for a term not exceeding five years at a time. Notwithstanding anything and subject to the statutory approvals required from time to time, an individual shall not hold the post of an MD & CEO or WTD for a continuous period of more than 15 (Fifteen) years. Thereafter, the individual shall be eligible for re-appointment as MD & CEO or WTD, if considered necessary and desirable by the Board, after a cooling off period of at least 1 (One) year, subject to meeting other applicable conditions. However, if the MD & CEO or WTD is appointed by a promoter/ major shareholder of the Company, then such individual shall not hold the said posts for continuous period of more than 12 (Twelve) years, except with the permission of IRDAI to hold the said posts for a continuous period up to 15 (Fifteen) years.
- (b) For the purpose of determining the term of MD/ CEO/ WTD, the existing term of the MD/ CEO/ WTD as on May 22, 2024 shall also be counted under the term for the above sub-clause.
- (c) A promoter/ shareholder cannot hold a whole time position in the Company. However, this condition is not applicable in case where an employee becomes a shareholder by virtue of shares received through ESOPs/ Public Offering during the course of employment.
- (d) The terms related to appointment and age of MD/ CEO/ WTD shall be subject to the compliance with the provisions of the Master Circular.

### **6.2 Independent Director:**

- (a) An Independent Director shall hold office for a term up to 5 (Five) consecutive years on the Board of the Company and will be eligible for reappointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- (b) No Independent Director shall hold office for more than 2 (Two) consecutive terms, beyond a period of 10 (Ten) years, but such Independent Director shall be eligible for reappointment, after expiry of at least 3 (Three) years from date of ceasing to be an Independent Director.
- (c) For the purpose of determining the term of Independent Directors, the existing term of the Independent Directors as on June 30, 2023 shall be counted as a term for the above sub-clauses.
- (d) The terms related to appointment and age of Independent Directors shall be subject to the compliance with the provisions of the CG Regulations.

## 7. EVALUATION

The Committee shall carry out evaluation of performance of every Director at a yearly interval, in accordance with Section 178 of the Companies Act and present a report thereon to the Board.

## 8. REMOVAL

Due to reasons for any disqualification mentioned in the Companies Act or under any other applicable law, the Committee may recommend, to the Board for reasons recorded in writing, removal of a Director or KMP subject to the provisions and compliance of such applicable law.

## 9. RETIREMENT

The Director or KMPs shall retire as per the retirement policy of the Company to the extent it is not in conflict with the CG Regulations.

## 10. PROVISIONS RELATING TO REMUNERATION

### 10.1 Remuneration of KMPs

#### 10.1.1 Applicable Laws, Regulations and Required Approvals

- (a) The Remuneration of MD/CEO/WTD will be determined by the Committee and recommended to the Board for approval. Any change in the Remuneration of MD/CEO/WTD would require prior approval of IRDAI.
- (b) Any modification in Remuneration of the MD/CEO/WTDs shall not be done before the expiry of 1 (One) year from the date of earlier IRDAI approval.
- (c) Any form of Variable Compensation shall be paid/granted to any KMP only once during financial year.
- (d) The cost of Remuneration paid to KMPs shall be borne by the Company only.
- (e) The Committee/ Board shall always maintain a fine balance between reasonableness and fairness, while making Remuneration-related decisions including Malus and Claw-back.
- (f) The Remuneration to be paid to KMPs shall be as per the applicable provisions of the Companies Act read with the Insurance Act, 1938 ("**Insurance Act**") and rules, regulations and circulars issued thereunder including the CG Regulations
- (g) Where the annual Remuneration of KMPs individually exceeds INR 4,00,00,000/- (Indian Rupees Four Crores only), such excess shall be borne by the shareholders of the Company and debited to the profit and loss account.

#### 10.1.2 Risk and Reward

- (a) Remuneration of KMPs shall be linked to performance parameters such that:
  - it is adjusted for all types of risks;
  - Remuneration outcomes are symmetrical with risk outcomes;
  - the payouts are sensitive to the time horizon of the risk; and
  - mix of cash, equity and other forms of Remuneration are consistent with risk alignment.

(b) The minimum parameters that will be considered by Committee and Board for assessing performance of all KMPs for payment of Variable Compensation are as below:

- Overall financial soundness such as net-worth position, solvency, growth in AUM, operating profit/ net profit, embedded value, value of new business etc.;
- Compliance with the Expenses of Management Regulations;
- Claim efficiency in terms of settlement and outstanding;
- Improvement in grievance redressal status;
- Reduction in unclaimed amounts of policyholders;
- Persistency- 37th Month to 61st Month; and
- Overall compliance status with respect to all applicable laws.

The above parameters shall constitute at least 60% (Sixty percent) of the total weightage in the performance assessment matrix of MD/CEO/WTDs and at least 30% (Thirty percent) of the total weightage in the performance assessment matrix of other KMPs individually. The weightage for each of the parameters to be configured suitably for MD/CEO/WTD/KMPs depending on their respective roles. The Company may define additional parameters also which shall be in line with the business plan of the Company. The above parameters shall also serve as a basis for revision of the Fixed Compensation.

## **10.2 Pay Mix**

The total Remuneration paid to KMPs shall have a fixed component and a variable component linked to individual and organizational performance. Proper balance between fixed and variable components will be ensured by the Committee/ Board and in accordance with the CG Regulations.

- (a) The amount of Fixed Compensation shall be reasonable taking into account the Company's overall business performance and industry remuneration scales, in accordance with the Remuneration Guidelines.
- (b) Variable Compensation shall be at least 50% (Fifty percent) of the Fixed Compensation for the corresponding period and shall not exceed 300% (Three Hundred percent) of the Fixed Compensation. In case where Variable Compensation is up to 200% (Two Hundred percent) of the Fixed Compensation, a minimum of 50% (Fifty percent) of the Variable Compensation shall be via Share Linked Instruments. The same limit would be 70% (Seventy percent), in case the Variable Compensation is above 200% (Two Hundred percent) of the Fixed Compensation. A minimum of 50% (Fifty percent) of the total Variable Compensation must invariably be under deferral arrangements and the deferral period shall be of minimum three years.
- (c) The first such vesting of the Variable Compensation shall accrue after 1 (One) 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. Where Variable Compensation is mix of cash and Share Linked Instruments, and such cash component of Variable Compensation is INR 25,00,000/- (Rupees Twenty-Five lakhs) or under, no deferral for the cash component would be necessary.
- (d) Any future grant (by whatever name called) that is given, if construed as Variable Compensation, should have a proper balance of pay mix in line with this clause 10.2.



- (e) The payment of the Variable Compensation shall be determined using performance based measure of individual, unit or Company's performance. The amount payable towards such Variable Compensation would be dependent on the Company's overall results as captured in the Company's measures of success outcomes and the parameters defined in clause 10.1.2. In case there is deterioration in the same, the total amount payable towards Variable Compensation will contract in accordance with adjustment of these parameters and may even be reduced to zero.

### **10.3 Stock Options**

- (a) The Committee/ Board may consider granting of Share Linked Instruments. Issue of Share Linked Instruments shall be governed by the provisions of this Policy CG Regulations, the Companies Act, the Companies (Share Capital and Debenture) Rules, 2014 as amended, Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended from time to time. For the purposes of benefit calculation, the fair value of the equity shares certified by a Category 1 merchant banker registered with the Securities and Exchange Board ("SEBI") of India shall be considered. KMPs shall not be issued/ granted any sweat equity shares.
- (b) Till the time the Company is not listed, it may issue ESOPs of its listed promoter company to the KMPs.
- (c) Till the time the Company is not listed, the total number of ESOPs granted in a year shall not exceed 1% (One percent) of the paid up capital of the Company. The total number of ESOPs issued, granted, vested or outstanding at any point of time shall not exceed 5% (Five percent) of the paid-up capital of the Company.

### **10.4 Treatment of deferred Variable Compensation in case of death, permanent disability, retirement, early retirement etc.**

- (a) In event of death or permanent disability of a KMP prior to the deferral period, the deferred Variable Compensation shall be paid immediately to him/her (in case of permanent disability) or to the legal heirs or nominees of the grantee (in case of death), subject to the applicable laws and the ESOP Policy and in case of phantom stocks the same shall vest immediately and exercised as per clause 13 of Employee Phantom Stock Plan 2018 by such employee (or his/ her legal heirs or nominee, as the case may be).
- (b) In event of retirement or early retirement of KMP prior to the deferral period, the deferred Variable Compensation (except Share Linked Instruments) shall be paid immediately and in case of phantom stocks the same shall vest immediately and exercised as per clause 12 of Employee Phantom Stock Plan 2018. The deferred ESOP units issued under Share Linked Instruments shall vest as per the original vesting period subject to the applicable laws and the ESOP Policy. In case of reappointment on retirement, the deferred Variable Compensation due at the time of retirement (i.e., prior to reappointment) shall be paid only for the respective years to which it is originally deferred.
- (c) In the event of termination of employment contract owing to the directives of court/ tribunal/ other competent Authorities, or termination by the Company in case of fraud/criminal offences or proven misconduct etc., including for cause (*as may be defined under the respective employment contracts*), the deferred Variable Compensation (including Share Linked Instruments), notice pay, and any other payout which has been awarded or deferred, shall be forfeited.

- (d) In the event of resignation of a KMPs, any deferred Variable Compensation (except phantom stocks and Share Linked Instruments) which has been awarded but deferred shall be paid immediately. However, the deferred ESOP and phantom stock units shall lapse.
- (e) In an event of occurrence of a merger/ takeover or any other similar corporate action or any action resulting in change of control of the Company, the Company shall ensure that the interest of the employees remains unaffected. The Board on the recommendation of the Committee, may decide on the revised terms and conditions of the Remuneration granted to the KMPs, subject to obtaining requisite approvals under applicable laws.

## 10.5 Malus of deferred Variable Compensation

The provision of Malus as set out in this Policy or under the respective employment agreement executed by the Company with any of the KMPs shall be applicable to the Variable Compensation to be paid to such KMPs attributable to a given reference year wherein the incident has occurred.

**Malus:** The Committee may decide to apply Malus on part, or whole of the unvested/ unpaid portions of the deferred Variable Compensation.

**Triggers to invoke Malus:** The Malus provision will be invoked if a KMP engages in actions causing tangible or intangible harm to the performance of the Company and the same shall invite immediate and prompt action of the Board and the management. These actions are assumed to be with *malafide* intent. Bonafide error/s of judgment may not be treated as breaches under this Policy. Specific triggers for exercising Malus include the following:

- a) Notable financial declines or risk escalations
- b) Excessive or inappropriate risk-taking behavior
- c) Poor compliance in respect of corporate governance and regulatory matters

The Committee, while evaluating financial performance will consider factors within and outside an employee's control, such as global market shifts, industry trends, legal changes, and unforeseen events like natural disasters or pandemics. The Committee and the Board shall review and based on facts and due assessment of what is directly attributable to the KMP's actions, the Committee and the Board may take appropriate measures for Malus of Variable Compensation. The Committee and Board's decision shall be final.

The Malus provisions can be applied for the entire deferral period.

## 10.6 Claw-back of deferred Variable Compensation

The provisions of Claw-back as set out in this Policy or under the respective employment agreement executed by the Company with any of the KMPs shall be applicable to the Variable Compensation to be paid to such KMPs attributable to a given reference year wherein the incident has occurred.

**Claw-back:** The Committee may decide to exercise its right to Claw-back previously paid or vested Variable Compensation on occurrence of the specified trigger event in the following manner:

- a) Cash Variable Compensation – the employee shall return previously paid amount, net of taxes, to the Company; and



- b) Share Linked Instruments – Clawback would be applicable only to the vested but unexercised options. However, in exceptional cases, the Committee may decide to extend the Claw-back clause to exercised options as well.

**Triggers to invoke Claw-back:** The Claw-back provision will be invoked if a KMP engages in actions such as fraud, integrity breach, or severe policy violations and the same shall invite immediate and prompt action of the Board and the management. These actions are assumed to be with *malafide* intent. Bonafide error/s of judgment may not be treated as breaches under this Policy. Specific triggers for exercising Claw-back include the following:

- a) Gross negligence, or willful misconduct or integrity breach
- b) Fraud necessitating financial restatement, or materially inaccurate financial statements due to result of misconduct or fraud
- c) Conviction involving moral turpitude

The Committee and the Board shall review the external factors and based on facts and due assessment of what is directly attributable to the KMP's actions, the Committee and the Board may take appropriate measures for Claw-back of Variable Compensation. The Committee and Board's decision shall be final.

The Claw-back provision can be applied for a period of 3 (Three) years after the payment of the Variable Compensation.

#### **10.7 Guaranteed Bonus**

The Company shall not provide guaranteed bonus of any kind as part of the Remuneration plan of KMPs, except sign-on/ joining bonus if required. The sign-on/ joining bonus may be granted only to new personnel and will be limited to first year of employment. Such bonus will neither be considered as a part of Fixed Compensation nor as a part of Variable Compensation.

#### **10.8 Severance Payments**

Severance compensation shall not be granted other than accrued benefits like gratuity pension, etc. to KMPs except in cases where it is mandatory under any applicable provision of the statute. It is clarified that severance compensation does not include notice period compensation.

#### **10.9 Remuneration to Other Employees**

Remuneration to Other Employees will include elements of Fixed Compensation and Variable Compensation with the mix of elements varying with seniority and benchmarked externally. A key unifying element shall be the funds available to support short and long term incentives each year. These are driven by the measures of success determined by the Board as part of the business planning cycle. The measures of success should be clearly defined and capable of objective measurement. The Board will, however, retain a measure of discretion to exercise judgment in determining final outcomes, for instance, where overall outcomes are result of external events completely outside the management's control or generally in respect of factors not susceptible to direct incorporation into the measures of success.

#### **10.10 Remuneration to non-executive Directors**

Subject to the approval of Board and shareholders in accordance with the statutory provisions of the Companies Act, CG Regulations, the non-executive Directors may be

entitled for the remuneration which shall not exceed amounts as may be specified by IRDAI for each of such non-executive Director from time to time.

In the event, the Chairperson of the Company is a non-executive Director, the remuneration shall be decided by the Board of Directors and necessary amendments shall be carried out in this Policy to specify the details of the remuneration and incentives to be paid to him/ her. The remuneration of the chairperson shall be subject to prior approval by the Authority.

#### **10.11 Stock Options to non-executive Directors**

A non-executive Director shall not be entitled to any share-linked benefit of the Company. Further, no share-linked benefits shall be offered to non-executive Directors even by virtue of their position in any of the group entities.

#### **10.12 Engagement for Professional Services**

The Company may, in line with applicable provisions of Companies Act, read with Insurance Act and rules and regulations made there under, wherever applicable, engage any non-executive Director to provide professional services from time to time. Any such engagement for professional services shall be made if the Committee is of the opinion that such Director possesses the requisite qualification for providing such services.

#### **10.13 Sitting Fees and Reimbursement of expenses**

In addition to the remuneration mentioned above, a non-executive Director may receive Remuneration by way of fees for attending meetings of Board or committees as may be decided by the Board. Provided, however, that the amount of such fees shall not exceed the maximum amount per meeting as may be prescribed in the Companies Act, Insurance Act or by the Central Government from time to time. The non-executive Directors shall, in addition to the sitting fees, be entitled for reimbursement of their expenses for participating in the Board and Committee meetings, as may be decided by the Board.

### **11. DISCLOSURE AND ACCOUNTING**

The Company shall make both qualitative and quantitative disclosures as mentioned in the CG Regulations in Company's notes to the accounts forming part of the annual report. The Company shall disclose the amount of remuneration paid to each Non-Executive/ Independent directors, in the Notes to the Accounts forming part of Annual Financial Statements. In case no remuneration is paid during a year, the same shall be specifically disclosed.

The additional information as required under the CG Regulations shall be provided to IRDAI, on an annual basis within the prescribed timeline in the form and manner as prescribed by IRDAI.

The accounting of the Remuneration shall be done in accordance with the applicable laws and the Company shall ensure disclosure compliances as specified in the Companies Act, CG Regulations and regulations/ guidelines issued by SEBI, as applicable.

### **12. DEVIATIONS FROM THIS POLICY**

Deviations on elements of this Policy in extraordinary circumstances, when deemed necessary, in the interests of the Company, will be made if there are specific reasons to do so in individual cases to the extent permitted under the applicable laws and CG Regulations.

**13. OWNER OF THIS POLICY**

This Policy is owned by the Committee and shall be administered by the Chief People Officer.