

**Zurich Kotak General Insurance  
Company (India) Limited**

Remuneration Policy

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## **1.0 OBJECTIVE:**

1. To maintain fair, consistent and equitable compensation practices in alignment with core values and strategic business goals
2. To ensure effective governance of Compensation and alignment of compensation practices with prudent risk taking

To have mechanisms in place for effective supervisory oversight and Board engagement in Compensation and remuneration. To ensure that the compensation practices are within the regulatory framework stipulated from time to time by IRDAI & Companies Act, 2013.

## **2.0 SCOPE:**

All Zurich Kotak employees based in India, employed By Zurich Kotak General Insurance Company (India) Limited and primarily performing work for this or its subsidiaries, are covered by this policy.

## **3.0 APPLICABILITY:**

This policy is applicable to all employees of the company and covers the following:

1. Compensation Philosophy
2. Nomination & Remuneration Committee and Review Process
3. Forms of Compensation
4. Employee Classification
5. Compensation Composition and Applicability

## **4.0 COMPENSATION PHILOSOPHY:**

As a philosophy, the Company aims to maintain a fair balance between the compensation rewards that is perceived as necessary to remain competitive in the marketplace and the fundamental fairness to all stakeholders, taking into account the risk and return on their investment.

## **5.0 NOMINATION & REMUNERATION COMMITTEE AND REVIEW PROCESS:**

The Committee will comprise at least 3 Non-executive Directors, at least two of whom shall be Independent directors.

The Committee will meet at least once a year for Compensation Review and has the following responsibilities:

1. Oversee the overall design and operation of the compensation policy of the Company
2. To achieve alignment between risks and remuneration.
3. Keep in mind the combined ratio and expenses of management (EOM) ratio of the Company and the overall health of the Company.
4. Approve the compensation of the Whole Time Directors (WTDs)/ CEO & KMPs of the Company.
5. Review the Remuneration Disclosure Requirements annually for submission to any Regulator. To ensure the compliance with IRDAI (Corporate Governance for Insurers) Regulations 2024 & Master Circular on Corporate Governance for Insurers, Regulations 2024.

## 6.0 FORMS OF REMUNERATION:

“Remuneration” means any money, or its equivalent given or passed on to an employee for the services rendered by him/her; and includes perquisites as defined under the Income-tax Act, 1961.

Total remuneration for employees, comprises (as applicable):

1. Fixed remuneration / Fixed pay consisting of base salaries and other remuneration including employee benefits, as well as
2. Variable remuneration / Variable pay consisting of short-term and long-term incentives.

STIP is defined as Short-Term Incentive Plan. Any form of payment with time-horizon of vesting less than one year.

LTIP is defined as Long-Term Incentive Plan. Any form of payment with time-horizon of vesting greater than one year.

The details of the Group’s short-term incentive plan (STIP) and long-term incentive plan (LTIP) are covered in the Zurich’s Group STIP core plan and LTIP plan rules respectively and are governed by the Zurich Group Board

Further details of how the STIP and LTIP operate within India, to meet local regulatory requirements, are outlined below.

**Fixed Pay** is defined as fixed portion of the remuneration considering all the relevant factors including adherence to the Statutory requirements. It includes Basic pay, allowances, perquisites, retinals and other fixed item as of compensation. Fixed portion of the compensation shall be reasonable, considering relevant factors including the industry practice, competency, competition, grade and performance of the employee.

Variable Pay is linked to assessment of performance and potential. This would be based on Balanced Key Result Areas (KRAs), Standards of Performance (SOPs) and /or achievement of targets with overall linkage to the Company Budgets and business/functional targets/objectives relative to average industry performance. The variable pay shall not be in any form that creates incentives for inappropriate risk taking.

Depending on the nature of the business/function, the risk involved, the time horizon for review of quality and longevity of the assignments performed, various forms of Variable Pay may be applicable.

The main forms of such incentive compensation will include:

### STIP

1. Incentive Plan for employees - intervals ranging either Monthly, Quarterly or Annually
2. Cash Bonus –Annual Cash Bonus linked to Zurich Global Remuneration Policy & Zurich Remuneration Rules

### LTIP

1. Deferred Cash – Payment in terms of cash
2. Deferred Incentive Plan / Deferred Long Term Retention – Cash based & on the discretion of management. Shall be applicable to non KMPs only
3. Equity/ share-linked instruments - Cash linked stock appreciation rights (CSARs) & ESOPs [including phantom plans] are treated as share linked instruments. This shall be aligned with long-term value creation and the time horizon of risks. If phantom based equity plan is used, the fair value of the

equity shares certified by a Category I merchant banker registered with SEBI shall be considered for the purpose of benefits calculations.

4. Other Payments
5. Joining Bonus/ One-Time Bonus: These may be offered at discretion for recruitment of new staff. Joining bonus or one-time bonuses, if offered, will be as approved by the Chief Executive Officer or Head – Human Resources as per policy of delegation of authority
6. Severance Pay: The Company does not grant Severance Pay (other than accrued benefits in the form of Provident Fund, Gratuity or Superannuation) except in cases where it is mandated by statute or provided in the appointment letters

In case of KMPs, the deterioration the financial performance of the Company and/or other defined parameter as per this policy shall lead to a contraction in the total amount of variable pay which pay even be reduced to zero.

In respect of the Key Managerial Persons, the Compensation structure as stipulated above shall be in accordance with the norms prescribed in the IRDAI (Corporate Governance for Insurers) Regulations, 2024 & Master Circular on Corporate Governance for Insurers, 2024, as amended from time to time.

## 7. LOCAL REMUNERATION RULES

1. Maximum cash incentive (STIP) target amount cannot exceed 100% of Fixed /base salary
2. Maximum long-term share incentive (LTIP) target amount cannot exceed 150% of fixed/base salary
3. Maximum actual STIP award cannot exceed 200% of target award
4. Exceptions to these levels require submission to the Group CEO who shall seek the necessary approvals.
5. Individual compensation approvals must be documented in writing and available for audit.

## 8. TOTAL VARIABLE COMPENSATION LIMITS

Total target variable compensation, calculated at the maximum, of a local business unit must not exceed 20% of planned Business Operating Profit (BOP). This limit includes total remuneration of the Group Leadership Team members in the local business unit, even if funded from outside local budgets. If the limit is exceeded, Group CEO approval is required.

## 9. EMPLOYEE CLASSIFICATION

Employees have been broadly classified into 4 groups:

**Category I: Whole Time Directors (WTD)/Managing Director (MD)/Chief Executive Officer (CEO):** To include MD and CEO ED, if any.

**Category II: Non-Executive Directors**

**Category III: Key Managerial Persons (KMP):** To include Key Managerial Persons as defined in the IRDAI (Registration of Indian Insurance Companies) Regulations, 2022.

**Category IV: Other Categories of Staff:** To include all other employees not explicitly covered in the first three categories.

## 10. COMPENSATION COMPOSITION AND APPLICABILITY

### 10.1 For Category I: Whole Time Directors (WTD)/ MD/CEO

- i. The Fixed Pay for WTD/MD/CEO will be linked to Market, taking into account all relevant factors including industry practice
- ii. The Variable Pay will be adjusted for various risks (as mentioned in the section of “Variable Pay” above) and must be sensitive to time horizon of the risk. The performance grid / parameters and variable pay shall be as per the limits prescribed and approved by the Nomination and Remuneration Committee on an annual basis in accordance with the norms prescribed in the IRDAI (Corporate Governance for Insurers) Regulations, 2024 & Master Circular on Corporate Governance for Insurers, 2024 as amended from time to time, subject to the approval of the Authority.
- iii. The Fixed and the variable pay including pension, gratuity, and perquisites for WTD / MD/CEO would be as per the terms of appointment for WTD / MD/CEO and will be recommended by the Nomination & Remuneration Committee and approved by the Board of Directors and Shareholders and IRDAI.
- iv. Any variable pay or performance incentive shall be paid/ granted to only once during a financial year.
- v. Minimum of 50% of the variable pay shall be via share-linked instruments.
- vi. A minimum of 50% of the total variable pay must invariably be under deferral arrangements and the deferral period shall be a minimum of three years. The first such award shall accrue after one year from the commencement of the deferral period. Where variable pay is mix of cash and share linked instruments and such cash component of variable pay is Twenty-Five lakhs or under, no deferral requirement for the cash component would be necessary.

### 10.2 For Category II: Non-Executive Directors

- i. The Company may pay remuneration to its Non-Executive Directors/ Independent Directors in the form of profit-based commission
- ii. Payment of commission to the Directors will be subject to the applicable provisions of the Companies Act and IRDAI Regulations governing payment to Directors which shall not exceed Rs.30 Lakhs 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 of Directors of the Company and, the remuneration policy shall 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.
- iii. In addition to the same, the Board may also authorise payment of sitting fees to the Non-Executive Director and reimbursement of their expenses for participation in the Board and other Meetings, subject to compliance with the provisions of the Companies Act, 2013.
- iv. Normally, the proposal for recommending any such payment of commission for a particular financial year, to the Non-Executive Directors/ Independent Directors shall be done at the Nomination and Remuneration Committee. Post approval by the Committee, the same shall be placed before the Board for their approval. However, the Board reserves the right to take up the matter directly at the meeting of the Board of Directors for discussion with permission of the Chairman of the Board. Post approval of the Board, such payment of commission shall be done, subject to the approvals of the Shareholders of the Company.
- v. In case a Non-Executive Director / Independent Director who is not on the Board for the whole year, the Annual Commission, as decided above to be paid, will be paid to such Director on a pro-rata basis, based

on the number of quarters for which he /she is on the Board, with a part of Quarter to be considered as full quarter.

#### 10.3 For Category III: Key Managerial Persons

- i. The Fixed Pay for KMPs will be linked to Market, taking into account all relevant factors including industry practice. The Variable Pay will be adjusted for various risks (as mentioned in the section of “Variable Pay” above) and must be sensitive to time horizon of the risk. The performance grid/ parameters and variable pay shall be as per the limits prescribed and approved in the Nomination & Remuneration Committee on an annual basis in accordance with the norms prescribed in the IRDAI (Corporate Governance for Insurers) Regulations, 2024 & Master Circular on Corporate Governance for Insurers, 2024 as amended from time to time.
- ii. The Fixed and the Variable pay including pension, gratuity, and perquisites would be as per the terms of appointment for KMPs and will be considered by the Nomination & Remuneration Committee.
- iii. Any Variable Pay or performance incentive shall be paid/ granted to only once during a financial year.
- iv. Minimum of 50% of the variable pay shall be via share-linked instruments.
- v. A minimum of 50% of the total variable pay must invariably be under deferral arrangements and the deferral period shall be a minimum of three years. The first such award shall accrue after one year from the commencement of the deferral period. Where variable pay is mix of cash and share linked instruments and such cash component of variable pay is Twenty-Five lakhs or under, no deferral requirement for the cash component would be necessary.

#### 10.4 For Category IV: Other Categories of Staff

- i. Fixed Pay will be linked to Market, capacity to pay and performance/ potential of the employee.
- ii. Variable Pay is payable as per approved schemes for incentive or bonus or the Group Remuneration Philosophy, as applicable.

### 11. PERFORMANCE PARAMETER

Performance parameter will be combination of financial impact, customer satisfaction, internal process, innovations, learning and growth. The minimum parameters shall be as mentioned below:

- i. Overall Financial Soundness [GWP, Solvency, Combiner Ratio, AUM growth, Net Worth, Net Profit, etc.]
- ii. Compliance with expenses of management regulations
- iii. Overall compliance status with respective to all applicable laws
- iv. Claim efficiency in terms of settlement and outstanding ratio
- v. Improvement in grievance redressal status/position
- vi. Reduction in unclaimed amounts in policyholders
- vii. Renewal rate – improvement %
- viii. Additional NRC assessment basis factors such as business strategy, leadership & people development, digital performance, etc.

The above parameters shall constitute at least 60% of total weightage in the performance assessment matrix of MD/WTD. In addition to above MD shall also be responsible for employee engagement, leadership retention

and development, digital adaption and additional assessment as approved by NRC. The weightage of each of the parameters shall be based on the risk assessment and projected outlook for the company, these shall be approved by the NRC.

For KMPs (Key Managerial Persons), above mentioned performance parameter will be at least 30% of total weightage in the performance assessment matrix, individually and other parameters for KMPs shall be combination of financial impact, customer satisfaction, internal process, innovations, learning and growth, employee engagement, leadership retention and development, digital adaption.

For KMPs, Nomination & Remuneration Committee authorizes MD to decide the weightage of each of the parameters based on the roles of each KMP and risk assessment and additional assessment depending on their respective roles and as approved by NRC in relation to everyone.

## **12.0 MALUS & CLAW BACK: -**

Both these clauses are applicable only on Deferred Variable Pay

Malus: Payment of all or part of amount of deferred Variable Pay can be prevented. This clause will be applicable in case of

- Disciplinary Action and/ or
- Significant drop in performance of Individual/ Business/ Company Resignation of the staff prior to the payment date.

Claw back: Previously paid or already vested deferred Variable Pay can also be recovered under this clause. This clause will be applicable in case of Disciplinary Action (at the discretion of the Disciplinary Action Committee and approval of the Remuneration Committee).

## **13.0 DISCLOSURES:-**

The Company shall make disclosures as per IRDAI circulars, regulations and guidelines issued in this regard from time to time.

The following disclosures are mandated in the notes to the accounts forming part of the Annual Report.

- Qualitative disclosure
  - (i) Information relating to the composition and mandate of the Nomination and Remuneration Committee
  - (ii) Information relating to the design and structure of remuneration processes and the key features and objective of remuneration policy
  - (iii) Description of the ways in which current and future risks are taken into account in the remuneration processes.
  - (iv) Description of the ways in which the insurer seeks to link performance during a performance measurement period with levels of remuneration.
  
- Quantitative disclosure
  - (i) Complete details of remuneration awarded for financial year to MD/CEO/WTD to be disclosed in the note to accounts as per the format prescribed by the Authority.
  - (ii) The Company shall ensure compliances as specified in the Companies Act, 2013 and SEBI regulations/guidelines, as applicable.



## 14.0. ACCOUNTING, RENEWAL AND DISCLOSURE OF REMUNERATION

The cost of remuneration paid to MD/CEO/WTD/KMPs shall be borne by the Company only. However, in case of depositions from PSU/Foreign Promoters, the cost may be borne by their respective promoters according to their remuneration rules/guidelines. In case the Annual Remuneration of MD/CEO/WTD and other KMPs individually exceeds Rupees Four Crore, such excess shall be borne by the shareholders and debited to Profit and Loss Account.

- (i) Liability in the respective books of accounts shall be created in respect of deferred remuneration of the reporting financial year.
- (ii) Deferred remuneration pertaining to previous financial years and paid in the reporting financial year shall not be debited to Revenue Account / Profit and Loss Account as the same shall be adjusted against the liability outstanding in the books of accounts at the beginning of the year.
- (iii) In case of forfeiture of deferred pay, the corresponding liability outstanding shall be reduced accordingly.
- (iv) In case of recovery of earlier paid remuneration, if any, the same shall be credited to Revenue Account / Profit and Loss Account, as the case may be.

NOTE: In case of any internal transfer / transfer of employment within Group, all the payments/provision towards past outstanding payments and retiral benefits of the employee shall be transferred from the erstwhile employer to the new employer subject to the applicable regulations.

## 15.0 APPOINTMENT AND QUALIFICATION

### 15.1. MD/CEO/WTD as well as other Key Management Persons (KMPs)

The Company shall appoint the most suitable candidate, considering the required level of competence and qualification for each category of employees defined in the policy.

Guidelines for appointment/reappointment of MD/CEO/WTD as well as other Key Management Persons (KMPs), as issued by IRDAI from time to time, to be referred for appointment and qualification requirements.

An incumbent shall not continue to hold position of MD/CEO/WTD beyond the age of 70 years.

'Recruitment Policy' to be referred for detailed recruitment and appointment process followed by the Company.

### 15.2. Age Limit and Tenure of Non-Executive Directors

Non-Executive Director(s) including Chairperson of the Board shall not continue on the Board of the Company after attaining the age of 75 years. However, an Independent Director shall be appointed for a term up to 5 consecutive years and shall be eligible for re-appointment for second term up to 5 years by passing special resolution but shall not be eligible for re-appointment beyond second term. On completion of maximum tenure of 10 years, such an Independent Director shall be eligible for re-appointment only after cooling-off period of at least 3 years.

### 15.3. Approval and Renewal of Remuneration

- 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.
- The applications relating to appointment, reappointment of MD/CEO/WTD may be submitted to the Authority 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. The remuneration proposals are to be submitted to the Authority within first three months of the performance year.

- In respect of remuneration of the MD/CEO/WTDs, no revision shall be done before the expiry of one year from the date of earlier approval.

#### 15.4. Retirement/Resignation/Death of KMP(s)

- i) In case of retirement / resignation / death of a KMP(s) prior to the deferral period, the deferred pay may be paid as per the employment contract agreed between the insurer and the KMPs. In case of reappointment on retirement, the deferred pay 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.
- (ii) In case of termination from the services as per the directives of court / tribunal / other competent Authorities, or termination by the insurer in case of fraud/criminal offences etc., the deferred pay shall be forfeited.
- (iii) In case the CEO resigns, the Authority should be kept informed of such resignation and the reasons therefore. As the appointment of the CEO is made with the prior approval of the Authority, the Board/Committee should take proactive steps to decide on the continuance of CEO well in time before the expiry of his tenure or to identify the new incumbent, in accordance with the succession plan adopted.

## 16.0 GOVERNANCE

The policy shall be reviewed annually or as and when changes are initiated in the same, whichever is earlier. Changes made in the policy are to be duly reviewed by the Nomination and Remuneration Committee and subsequently approved by the Board.

## 17.0 LAW TO TAKE PRECEDENCE AND AMENDMENTS

In the event of any variation or inconsistency between the provisions of this Policy and applicable law, the provisions of the applicable law shall prevail over this Policy and the provisions of this Policy shall be deemed to have been amended so as to be read in consonance with such applicable law.

## 18.0 ADHERENCE MONITORING

A review of compliance of the remuneration framework represented by this policy against the requirements of IRDAI (Corporate Governance for Insurers) Regulations, 2024 & Companies Act, 2013 will be carried out at least annually. This policy will also be reviewed on an annual basis in conjunction with the annual review of compliance of the remuneration framework against the requirements of the Zurich Global Remuneration Policy.