

HDFC ERGO GENERAL INSURANCE COMPANY LIMITED

**POLICY ON APPOINTMENT OF DIRECTORS, KEY MANAGEMENT PERSONNEL
AND MEMBERS OF SENIOR MANAGEMENT**

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1. Preamble

- 1.1. In terms of Section 178 of the Companies Act, 2013, rules made thereunder and the Securities and Exchange Board of India (Listing Obligations, and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and the Guidelines on Corporate Governance for insurers in India dated May 18, 2016 (IRDAI CG Guidelines), the Nomination and Remuneration Committee of Directors ("**NRC**") has formulated this Policy on Appointment of Directors and Members of Senior Management (the "**Policy**") and the same was approved by the Board of Directors.
- 1.2. This Policy on Appointment of Directors and Members of Senior Management and other employees (the "**Policy**") applies to the Board of Directors (the "**Board**") of HDFC ERGO General Insurance Company Limited ("**Company**") and the Senior Management (as defined hereinbelow) of the Company. This Policy was recommended by the Nomination and Remuneration Committee of Directors ("**NRC**") and approved by the Board of Directors and shall be subject to periodic review by the NRC.
- 1.3. The objective of the Policy is to provide a framework and set standards for the appointment of high-quality directors who should have the capacity and ability to lead the Company towards achieving its stated goals and strategic objectives taking into account the interest of all stakeholders including policyholders, channel partners and employees. The Company aims to achieve an appropriate balance of skills, experience, knowledge and expertise amongst its Directors.
- 1.4. The Board is ultimately responsible for the appointment of Directors and recommending the appointment of Independent Directors to the shareholders for their approval.
- 1.5. The Board delegates its responsibility for assessing and selecting suitable candidates to be appointed as Directors of the Company to the NRC, which then submits its recommendations to the Board.

2. Definitions

For the purposes of this Policy:

- 2.1 "**Executive Board**" shall mean all Whole-Time Directors of the Company including the Managing Director & CEO.
- 2.2 "**Key Managerial Personnel**" shall mean the following personnel of the Company as provided under Section 2(51) of the Companies Act, 2013 and the Listing Regulations:
 - the Managing Director and C.E.O.;
 - the Executive Director;
 - the Chief Financial Officer;
 - the Company Secretary; and

the following persons pursuant to the IRDAI CG Guidelines or any other person as prescribed by IRDAI, in addition to above-mentioned persons:

- Appointed Actuary
- Chief Investment Officer
- Chief Risk Officer
- Chief Compliance Officer
- Such other person/officer of the core management team of an insurer including the functional heads one level below the Executive Directors

2.3 **“Senior Management”**, for the purpose of this Policy, means the personnel of the Company who are members of its core management team excluding the Executive Board and shall comprise of all members of management one level below the Executive Board including the functional heads. The current Senior Management comprises Presidents/ Functional Heads/ Business Heads of the Company in T1 and T2 or such other band as may be approved by the NRC from time to time

3. **Criteria for Appointment as a Director, Key Managerial Personnel and Senior Management Positions**

3.1 Matching the requirements of the Company and enhancing the competencies of the Board are the basis for the NRC to shortlist and recommend a candidate for appointment to the Board. When recommending a candidate for such appointment, the NRC shall inter-alia have regard to:

- a. the results of assessment of the proposed appointee against a range of criteria formulated by the NRC which include but not limited to skill sets or expertise in aspects such as taxation, business management, insurance, accountancy, healthcare, law, etc., regional and industry experience, background, integrity and other qualities required to operate successfully in the position of Director, having due regard to the benefits of diversity of the Board;
- b. the extent to which the proposed appointee is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors and Senior Management;
- c. the present and potential future needs and requirements of the Company having due regard to the present business requirement of the Company and the Insurance sector in which it conducts its business and operations;
- d. the nature of existing positions held by the proposed appointee including other directorships held or other relationships and the impact it may have on the appointee’s ability to exercise independent judgment;
- e. any requirements under applicable law (including but not limited to under the Companies Act, 2013 (the Act) and/or the rules and regulations made thereunder, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (‘Listing Regulations’), Articles of Association of the Company and/or the Corporate Governance Guidelines issued by the Insurance Regulatory and Development Authority of India; and

- f. the time commitment required from a Director to properly discharge his/her fiduciary duties towards the Company.
- 3.2 The criteria to be considered when assessing prospective candidates for appointment as Directors shall include the following:
- a. highest levels of personal and professional ethics and integrity;
 - b. high quality attributes such as discipline, objectiveness, sensitivity and creativity;
 - c. sharing and demonstrating the values of the Company;
 - d. degree holder in relevant disciplines (e.g. finance, management, accountancy, administrative service, legal and insurance) or being a recognised specialist in disciplines or areas relevant to the Company and/or its business;
 - e. experience in the management of a diverse organization whether located in India and/or overseas;
 - f. experience in accounting and finance, insurance, actuarial, underwriting, corporate and strategic planning or fund management;
 - g. demonstrable ability to work effectively with the Board;
 - h. excellent interpersonal, communication and representational skills;
 - i. demonstrable leadership skills;
 - j. strong influencing and negotiating skills; and
 - k. continuous professional development to refresh knowledge and skills.
- 3.3 The NRC shall consider the present and future requirements of the Company when short listing and recommending a Key Managerial Personnel or Senior Management candidate as well as any particular requirements for the Senior Management position in question. When recommending a candidate for such appointment, the NRC shall inter-alia have regard to:
- a. the assessment shall include but not be limited to assessing the skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the position in question;
 - b. the extent to which the proposed appointee is likely to contribute to the Company and work constructively and effectively;
 - c. the present and potential future needs and requirements of the Company having due regard to the present business requirement of the Company and the Insurance sector in which it conducts its business and operations;

- d. the factors which may adversely impact the ability of the candidate to fulfill the duties of the person in the said position in question;
 - e. any requirements under applicable law (including but not limited to under the Act and/or the rules made thereunder, Listing Regulations, Articles of Association of the Company) and/or the CG Guidelines.
- 3.4 The criteria to be considered when assessing prospective candidates for a Key Managerial Personnel or Senior Management position shall include the following:
- a. highest levels of personal and professional ethics and integrity;
 - b. demonstrable leadership skills;
 - c. specialist knowledge and/or experience required for the position in question;
 - d. good interpersonal relationships;
 - e. demonstrating intelligence, maturity and wisdom;
 - f. possesses managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, flexibility, team player, strategic thinking; etc;
 - g. sharing and demonstrating the values of the Company; and
 - h. ability to significantly contribute towards achievement of the strategic and business objectives of the Company.
- 3.5 Every person proposed to be appointed as a Director, Key Managerial Personnel or a Member of Senior Management should be able to give sufficient time and attention to the Company's affairs.
- 3.6 The Policy is aimed to engage Directors (including Non-Executive Directors and Independent Directors), Key Managerial Personnel and Members of Senior Management, who are highly skilled, competent and experienced persons within the fields of finance, accounting, administrative service, insurance, underwriting, actuarial, management, leadership, sales, marketing, operations and administration, research, corporate governance, law or other disciplines related to the Company's business and operations.
- 3.7 The Independent Directors shall also fulfill the requirements prescribed under Section 149(6) of the Act, Listing Regulations and the provisions of Corporate Governance Guidelines issued by IRDAI and shall submit requisite declarations. In assessing the independence of a Director, factors prescribed under Section 149(6) of the Act read with Rule 6(3) of Companies (Appointment and Qualification of Directors) Rules, 2014, as amended and Regulation 16(1)(b) of the Listing Regulations, as amended from time to time shall be considered.

- 3.8 The names of Independent Directors or persons proposed to be appointed as Independent Directors in the Company should be included in the databank of Independent Directors maintained by the Indian Institute of Corporate Affairs, Manesar ('IICA')
- 3.9 No person shall be considered for appointment as a Director of the Company, if he is disqualified to be appointed as such in terms of the provisions of Section 164 of the Act.
- 3.10 No person shall be considered for appointment as a Director of the Company, if he is already a Director in ten or more public companies or private companies that are either holding or subsidiary company of a public company excluding directorship in a dormant company or such other limit on number of companies in which a person may hold directorships, as may be prescribed from time to time;
- 3.11 No person shall be a director in more than seven equity listed entities and shall not serve as an independent director in more than seven listed entities;
- 3.12 No person serving as a Whole-time Director/ Managing Director shall serve as an independent director in more than three listed companies.
- 3.13 Appointment of Managing or Whole-Time Director shall also be in accordance with provisions of Section 34A of the Insurance Act, 1938, as amended.
- 3.14 In addition to the requirements prescribed in the IRDAI CG Guidelines, the appointment of an Appointed Actuary shall be in accordance with the IRDAI (Appointed Actuary) Regulations and relevant requirements as the IRDAI may prescribe in this regard.

4. Selection Process

- 4.1 The selection procedure to be followed for the appointment of persons to the Board is as below:
 - a. The NRC in consultation with the Chairman of the Company shall consider selection criteria applicable for each position at the Board level ("**Director Selection Criteria**"), as indicated in this Policy. The NRC shall thereafter review the Director Selection Criteria at such frequency as may be determined for this purpose.
 - b. For the positions of Managing Director & CEO, Executive Director and other Whole-Time Directors, based on the applicable Selection Criteria, the NRC in consultation with the Chairman and other Whole-Time Directors of the Company, shall generate a potential list of internal candidates for the Board position in question who meets the prescribed Director Selection Criteria. In case no feasible internal candidates can be identified, external candidates could also be considered;
 - c. For the positions of Independent Directors or Non-executive Directors, subject to the provisions of the Articles of Association of the Company, the NRC may look for

potential candidates outside the Company, who meet the applicable Director Selection Criteria. The NRC shall thereafter finalise a list of potential candidate(s) and submit such list to the Board along with its recommendations;

- d. The Chairman of the Board shall thereafter meet the shortlisted candidate(s) to assess their capability for the job and brief the Board of the results of the same. In the event the Board feels that no shortlisted candidate is suitable for appointment to the Board, the Board may request the NRC to submit a fresh list of candidates;
- e. The successful Board candidate shall be appointed to the Board in accordance with the provisions of applicable laws, subject to the approval of the Shareholders of the Company at the ensuing general meeting.

4.2 The selection procedure to be followed for the appointment of persons at the Key Managerial Personnel and Senior Management positions is as below:

- a. In case of vacancy for the positions the NRC in consultation with the Executive Board shall identify and short list employees to fill such vacancy, who may meet the criteria mentioned in this Policy;
- b. Where the vacancy is being filled for Key Managerial Personnel or Senior Management positions, the successful candidate shall be appointed by the NRC in accordance with applicable laws and the Company's internal policies.

5. Appointment Procedure

- 5.1 No person shall be appointed/ reappointed as a Director of the Company unless he has been allotted the Director Identification Number (DIN) or any other number as may be prescribed under section 153 of the Act and he furnishes to the Company, a declaration to the effect that he is not disqualified to become a Director under the provisions of the Act and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.
- 5.2 No person shall be appointed as a Director whose name appears in the list of willful defaulters published by the Reserve Bank of India, IRDAI and other Regulatory Authorities.
- 5.3 Subject to the provisions of Section 161(1) of the Act, which provides for appointment of an additional director by the Board of Directors, who shall hold office up to the date of the next annual general meeting, every Director shall be appointed by the Company in general meeting.
- 5.4 In accordance with the provisions of Section 197 and Schedule V of the Act and Section 34A of the Insurance Act, 1938, as amended and subject to the approval of IRDAI, a Managing Director and CEO, Executive Director or Whole-Time Director shall be appointed and the terms and conditions of such appointment and remuneration payable be approved by the Board of Directors at a meeting which shall be approved by a resolution at the next general meeting of the Company.

- 5.5 The NRC shall ensure that the appointment/ re-appointment of Directors of the Company will be in terms of this Policy and recommendations of candidates are made to the Board for appointment.
- 5.6 Appointment of persons for Key Managerial Personnel and Senior Management position shall be recommended by the NRC and approved by the Board.
- 5.7 All appointments of Directors, Key Managerial Personnel and those in Senior Management positions shall be in compliance with the applicable statutory and regulatory provisions to as required under the Act, Listing Regulations and the IRDAI CG Guidelines, as amended.

6. Letter of Appointment

- 6.1 The Company shall issue a letter of appointment to the newly appointed Director detailing the terms and conditions of appointment, duties, roles and responsibilities. The letter of appointment to be issued to the Independent Directors shall inter-alia set out the matters as stated in Schedule IV of the Act.
- 6.2 As stipulated under the CG Guidelines, the Company and the Director shall enter into a Deed of Covenant in the format prescribed therein.

7. Familiarization Programme

- 7.1 When appointed to the Board, all new Directors, if required, shall receive an induction appropriate to their experience to familiarize them with matters relating to the Company's operations, strategies and practices, policies and procedures, roles and responsibilities of senior executives, role of Board committees, etc.
- 7.2 All new Independent Directors shall be familiarised through various programmes with the nature of the industry in which the company operates, business model of the company and their roles, rights and responsibilities in terms of Regulation 25(7) of the Listing Regulations.

8. Evaluation Procedure for Directors

- 8.1 (i) The NRC shall specify the manner for effective evaluation of performance of Board, its Committees and individual directors and in this regard specify the assessment criteria;
- (ii) The evaluation shall be carried out either by the Board, by NRC or by an independent external agency; and
- (iii) The NRC shall review its implementation and compliance.
- 8.2 Evaluation of the Board as a whole and Board Committees shall be carried out on an annual basis and other evaluations shall be carried out at such frequency as the NRC may deem fit.



9. Policy Review

- 9.1 This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013, Listing Regulations, the Insurance Act, 1938, as amended and rules made there under, the CG Guidelines issued by IRDAI from time to time, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.
- 9.2 The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.
