

Chapter 3: Nomination and Remuneration Policy of Prime Insurance Company Ltd.

Summary:

This policy on Nomination and Remuneration of Directors, Key Managerial Personnel ("KMP"), Senior Management Personnel (SMP) and other employees has been formulated in terms of the provisions of the Companies Act, 1994 and Listing Regulations- 2015, Corporate Governance Code 2018 and other laws enacted by the regulators from time to time, in order inter-alia to pay equitable remuneration to Directors, Key Managerial Personnel (KMP) and Executive/other employees of the Company.

This policy shall act as guidelines on matters relating to the remuneration, election, appointment, co-option, selection and assortment of the Directors, Key Managerial Personnel and Senior Management and other employees of Prime Insurance Company Ltd.

Nomination and Remuneration Committee shall govern the following:

1. The company shall have a Nomination and Remuneration Committee (NRC) as a sub-committee of the Board;
2. The NRC shall assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as a policy for formal process of considering remuneration of directors, top level executives;
3. The Terms of Reference (ToR) of the NRC shall be clearly set forth in writing covering the areas stated at the condition No. 6(5)(b).

Constitution of the NRC:

(a) The Committee shall comprise of at least three members including an independent director; Provided that for the purpose of PICL the NRC shall comprise of 6 (six) members including an independent director.

- (b) All members of the Committee shall be non-executive directors;
- (c) Members of the Committee shall be nominated and appointed by the Board;
- (d) The Board shall have authority to remove and appoint any member of the Committee;
- (e) In case of death, resignation, disqualification, or removal of any member of the Committee or in any other cases of vacancies, the board shall fill the vacancy within 180 (one hundred eighty) days of occurring such vacancy in the Committee;
- (f) The Chairperson of the Committee may appoint or co-opt any external expert and/or member(s) of staff to the Committee as advisor who shall be non-voting member, if the Chairperson feels that advice or suggestion from such external expert and/or member(s) of staff shall be required or valuable for the Committee;
- (g) The company secretary shall act as the secretary of the Committee;
- (h) The quorum of the NRC meeting shall not constitute without attendance of at least an independent director;
- (i) No member of the NRC shall receive, either directly or indirectly, any remuneration for any advisory or consultancy role or otherwise, other than Director' s fees or honorarium from the company.

Chairperson of the NRC:

- (a) The Board shall select 1 (one) member of the NRC to be Chairperson of the Committee, who shall be an independent director;
- (b) In the absence of the Chairperson of the NRC, the remaining members may elect one of themselves as Chairperson for that particular meeting, the reason of absence of the regular Chairperson shall be duly recorded in the minutes;
- (c) The Chairperson of the NRC shall attend the annual general meeting (AGM) to answer the queries of the shareholders: Provided that in absence of Chairperson of the NRC, any other member from the NRC shall be selected to be present in the annual general meeting (AGM) for answering the shareholder' s queries and reason for absence of the Chairperson of the NRC shall be recorded in the minutes of the AGM.

Meeting of the NRC:

- (a) The NRC shall conduct at least one meeting in a financial year;
- (b) The Chairperson of the NRC may convene any emergency meeting upon request by any member of the NRC;

(c) The quorum of the meeting of the NRC shall be constituted in presence of either two members or two third of the members of the Committee, whichever is higher, where presence of an independent director is must as required under condition No. 6(2)(h); But in case of PICL the quorum shall be in presence of three members including an independent director.

(d) The proceedings of each meeting of the NRC shall duly be recorded in the minutes and such minutes shall be confirmed in the next meeting of the NRC.

Role of the NRC

(a) NRC shall be independent and responsible or accountable to the Board and to the shareholders;

(b) NRC shall oversee, among others, the following matters and make report with recommendation to the Board:

(i) formulating the criteria for determining qualifications, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:

(a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;

(b) the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(c) remuneration to directors, top level executive involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;

(ii) devising a policy on Board' s diversity taking into consideration age, gender, experience, ethnicity, educational background and nationality;

(iii) identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;

(iv) formulating the criteria for evaluation of performance of independent directors and the Board;

(v) identifying the company' s needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and

- (vi) developing, recommending and reviewing annually the company's human resources and training policies;
- (c) The company shall disclose the nomination and remuneration policy and the evaluation criteria and activities of NRC during the year at a glance in its annual report.

Criteria for selection of candidates for membership on the board of directors, KMPs and senior management personnel:

General Criteria

- (i) A person to be appointed as Director should possess adequate qualification, expertise and experience for the position he/ she is considered for the appointment by election, selection, appointment, co-option and such other process prescribed by the Companies Act 1994, Insurance Act 2010 and rules under insurance act are effective for the time being, rules and regulations imposed by the regulators from time to time for the purpose of appointment of directors and rules of Memorandum & Articles of Associations of the company etc.
- (ii) KMP or senior management should possess adequate qualification, expertise and experience for the position he/ she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

Further, person to be appointed/re-appointed as director should:

- be an individual of the highest integrity and have an inquiring mind, a willingness to go into details and the ability to work well with others;
- be free of any conflict of interest that would violate any applicable law or regulation or interfere with the proper performance of the responsibilities of a director;
- be willing and able to devote sufficient time to the affairs of the Company and be diligent in fulfilling the responsibilities of a director and Board committees' member; and
- have the capacity and desire to represent the best interests of the stakeholders as a whole.
- not be disqualified under the provisions of the Companies Act, 1994 and applicable rules and regulations.

Specific Criteria

In addition to the aforesaid, the Nomination & Remuneration Committee may, if it deems it advisable from time to time, develop specific criteria outlining the qualification, skills, experience, expertise, backgrounds, and other characteristics that should be represented on the Board to enhance its effectiveness. Any such criteria should take into account the particular needs of the Company based on its business, size, ownership, growth objectives, community, customers and other characteristics and should be adjusted as these Company characteristics evolve.

Remuneration Policy for Directors:

The remuneration policy of the Company reflects the Company's objectives for good corporate governance as well as sustained long- term value creation for shareholders and guided by a common reward framework and set of principles and objectives as more fully and particularly envisaged under corporate governance code 2018, inter-alia principles pertaining to determining qualifications, positive attributes, integrity and independence etc. Remuneration policy of Prime Insurance Company Ltd will be based on general criteria of-

1. Levels of remuneration should be sufficient to attract, retain, and motivate the person constitution the Executives needed successfully to run the company and its subsidiaries but not paying more than is necessary for this purpose.
2. The component parts of the remuneration packages and the benefit schemes for the executive should be designed to encourage the executive to meet the objectives of the company and the group.
3. There should be established a formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration package of the individuals within the executives.
4. The company's annual report should contain an annual remuneration report containing all information required to be disclosed under legislation, good corporate governance practices including details of the remuneration of each director of the company.

5. Senior remuneration administration should operate on a best practice basis.
6. The Executives should be fairly rewarded for individual contributions to the overall performance of the company.

Independent Directors' Remuneration:

Independent Directors are the Non-Executive Directors of the company. Independent directors of the Board shall be entitled for sitting fees for attending the meetings of the Board or committees thereof. The sitting fee will be as fixed by the Insurance Development and Regulatory Authority (IDRA). Independent directors shall not be entitled to any fixed or monthly salary or other remuneration or office of the profit.

Non-Executive Directors' Remuneration:

Non-executive directors of the board shall be entitled for sitting fees for attending the meetings of the Board or committees thereof. The sitting fee will be as fixed by the Insurance Development and Regulatory Authority (IDRA). Non-Executive directors shall not be entitled to any fixed or monthly salary or other remuneration or office of the profit.

Executive Directors' Remuneration:

At the time of appointment or re-appointment of the Executive Directors including CEO of the Company i.e. Whole-time Director, Paid Director as defined in the Companies Act, 1994 by whatever name may be called (hereinafter known as Executive Directors) shall be paid such remuneration as may be proposed by the Nomination & Remuneration Committee and subsequently approved by the Board of Directors within the overall limits prescribed under the Companies Act, 1994, Insurance Act and rules/regulations including rules of Bangladesh Securities and Exchange Commission (BSEC).

CEO however appointed and play the role of the Managing Director here is called as Executive Director of the company, the NRC shall follow the regulation of IDRA enacted for the appointment and removal of the CEOs' of insurance companies. The CEO, if designated as the Managing Director of the company shall follow the rules regarding companies Act 1994 and be

ratified by the shareholder in the general meeting within stipulated time mentioned in the companies Act 1994.

- (i) The remuneration shall be subject to the approval of the Members of the Company at its General Meeting, wherever required under the provisions of the Companies Act, 1994 and rules made there under or under the provision of any other laws as may be applicable.
- (ii) The remuneration of the Executive Directors is broadly divided into fixed and variable components. The fixed component comprises salary, allowances, perquisites, amenities and retrial benefits. The variable component comprises performance bonus and may include:
 - Short-term incentives, based on the achievement of a number of individual, pre- defined financial and strategic business targets recommended by the Committee.
 - Long-term incentives in the form of stock options, promoting a balance between short-term achievements and long-term thinking. The Directors shall be eligible to participate in the stock options only subject to the compliance of the conditions under the provisions of the Companies Act, 1994, Listing Regulations and the other Rules/ Regulations as prescribed by the Bangladesh Securities & Exchange Commission (BSEC) in this regards.
 - Pension contributions, made in accordance with applicable laws and employment agreements.
 - Severance payments in accordance with termination clauses in employment agreements and subject to the provisions of the Companies Act, 1994 and other applicable laws.
 - In determining the remuneration the Nomination & Remuneration Committee shall ensure/ consider the following:
 - (a) Remuneration shall be evaluated annually against performance and a benchmark of National Financial Institutions which in size and complexity are similar to Prime Insurance Company Ltd.
 - (b) Balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals.
 - (c) Responsibility required to be shouldered by the Executive Directors, the industry benchmarks and the current trends.

(d) The Company's performance vis-à-vis the annual budget achievement and individual performance vis-à-vis the key performance indicators.

(iii) Minimum remuneration to Executive Directors:

If, in any financial year, the Company has no profits or its profits are inadequate, the company shall pay remuneration to its Executive Directors in accordance with the provision of the Companies Act, 1994 and rules made there under.

Remuneration Policy for the Key Managerial Personnel, Senior Management Personnel and Executive/other employees:

The Key Management Personnel (KMP), Senior Management Personnel (SMP) and Executive/other employees (more fully defined in the interpretation clause) of the Company shall be paid monthly remuneration as per the Company's HR policies and/ or as may be approved by the Committee (NRC).

In determining the remuneration to Key Managerial Personnel, Senior Management Personnel and Executive/other employees the following shall be considered:

1. the relationship of remuneration and performance benchmark is clear;
2. the balance between fixed and incentive pay reflecting short and long term performance objectives, appropriate to the working of the Company and its goals;
3. the Company shall follow a compensation mix of fixed component and variable component. Fixed Component comprises salaries, perquisites and retirement benefits and a variable component comprises performance bonus and may include:
4. Short-term incentives, based on the achievement of a number of individual, pre- defined financial and strategic business targets.
5. Long-term incentives in the form of stock options, promoting a balance between short- term achievements and long-term thinking, in accordance to various applicable laws.
6. Pension contributions, made in accordance with applicable laws and employment agreements.

7. Severance payments in accordance with termination clauses in employment agreements. Severance payments shall comply with local legal framework. The remuneration including annual increment and performance bonus is decided based on the criticality of the roles and responsibilities, the Company's performance vis-à-vis the annual budget achievement, individual's performance, industry benchmark and current compensation trends in the market. The Benchmark information is obtained from nationally recognized compensation service consultancies, insurance business regulators and other stakeholders, whenever required.
8. levels of remuneration should be sufficient to attract retain and motivate the persons constitution the executive needed successfully to run the company and its subsidiaries but not paying more than is necessary for this purpose
9. The component parts of the remuneration packages and the benefit schemes for the executive should be designed to encourage the executive to meet the objectives of the Company.
10. There should be established a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of the individuals within the executives.
11. The Company's annual report should contain an annual remuneration report containing all information required to be disclosed under legislation good corporate governance practices including details of the remuneration of each director of the Company
12. The executive should be fairly rewarded for their individual contributions to the overall performance of the company
13. The interest of the Company's shareholders and to the financial and commercial health and capability of the Company being taken into account in incentive packages-
14. A demonstration that the increase/decrease complies with the overall remuneration strategy of the Company.
15. A demonstration that in light of the particular businesses unit and the company as a whole the award is affordable.
16. Full reasons to support the award to include-
 - i. the provision of internal and external comparative;
 - ii. the nature of the work being undertaken by the member of the executive;
 - iii. the range and weight of responsibilities held by the member of the executives:

- iv. the performance of the individual member of the executive in each case;
- v. the performance of any business unit under the executive direction if applicable;
- vi. any other pertinent factors.

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