

MANAPPURAM FINANCE LTD.

**DIRECTORS HAND
BOOK**

17-03-2015

MANAPPURAM FINANCE LTD.,
DIRECTORS HAND BOOK,17-03-2015

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Message of Mr. Jagdish Capoor, Chairman

Unparalleled developments have taken place in the regulatory area of the corporate world. The Cos Act 2013 has thrown up tremendous responsibilities on corporate managers and company boards have been charged with the overall responsibility of overseeing compliances besides guiding the entity towards its business goal. Every successive legislation has tried to plug identified gaps in the previous legislations which has ultimately increased complexities for the practitioners. It may take little while more for things to settle down Vis a vis the 2013 Act. In the meantime, however, members of the corporate world with all good intentions, remain concerned about not committing any breach inadvertently.

In the aforesaid context a serious effort has been made by Shri Rajesh Kumar, Company Secretary of MFL to bring out at one place responsibilities of and expectations from the board members of the company. This would help new directors to get acquainted with the overall scheme of things in one hand and on the other facilitate hand on information to board members to enable them to discharge their roles efficiently and meet expectations of its various stake holders. I feel the effort made by Shri RK is highly commendable and would benefit all concerned.

Jagdish Capoor

13th March 2015
Mumbai



Message of Mr.V.P. Nandakumar, MD&CEO

I am happy that the Secretarial Department of the company has brought out this comprehensive Director's Handbook. I am sure it will be of immense value to the existing and future Directors of the company. Thanks to this compilation, they now have a handy reference on matters of company law relating to their duties and responsibilities as a Director as well as other relevant aspects.

My special congratulations to the Company Secretary Shri Rajesh Kumar K. for having taken the initiative to bring out this handbook and for the competent manner in which it has been executed.

V.P. Nandakumar

13th March 2015

Valappad



Introduction to the Directors Handbook; Rajesh Kumar.K , Company Secretary

The passage of the Companies Act, 2013 and the consequent amendment to the Clause 49 of the listing agreement relating to the corporate governance practices to be followed by a listed company or a company planning to get listed brought in significant changes in the overall board functioning and the responsibilities of individual directors. In line with the regulatory changes and since the company is a financial institution, the board has at different point of time formulated varied policies to be followed by the company while carrying its operations.

It is a notion of the common law that ignorance of law is not an excuse; while it being so, it is becoming burdensome for individual directors to be abreast of the regulatory provisions where they have a direct interface in corporate functioning, which may hold them responsible or there is general expectation that the directors and the board always act in accordance with the regulatory requirements while discharging their duties as a board or as a director and follow highest standards of governance. Since the directors comes from different walks of life, but are expected to have a basic understanding of the basic law and procedures an attempt is made to collate the multiple piece of information in one place and this hand book is developed. The objective is to give a basic understanding of directors responsibilities and the

The hand book is not an exhaustive document but a compilation of basic provisions of the Companies Act, relating to the Board and independent directors, revised corporate governance issued by SEBI, corporate Governance guidelines issued by Reserve Bank of India as applicable to NBFC code of conduct applicable to directors and internal policies. While this could be used as a reference document for the existing directors, it can serve as an induction tool kit for new appointments on the Board. This hand book may require periodical updating in line with the changes in external and internal environments of the company

Acknowledgement,

I take this opportunity to put on record the whole hearted support of Mr.V.P. Nandakumar, MD & CEO in bringing up this hand book. I have received very high level of encouragement from the Chairman of the Board Shri. Jagdish Capoor in this noble step as always. I have received excellent support of my entire Secretarial team in collating the information, without which it wouldn't have happened.

Rajesh Kumar.K
GM & Company Secretary
13th March 2015,
Valappad

4. General Information to the directors

- i. Company No. CIN-L65910KL1992 PLC 006623
- ii. Regd. Office : IV 470A(old) W638A(new), Manappuram House
Valappad, Thrissur, Kerala- Pin 680 567, Ph.0487-3050100
- iii. Contact point. Company Secretary, Ph. No. 0487 3050408/413/417
E- mail cs@manappuram.com , cosecretary@manappuram.com
- iv. Travel, stay and other arrangements of directors

Company will make arrangements for the travel, stay and other convenience for the directors for attending board or committee meetings and other programs to be attended by the directors. In cases where such expenses are borne by the directors themselves, the company will provide re-imburements.

- v. Remuneration of directors

In respect of independent directors and non-executive directors who are not nominees of investors, the company will provide sitting fees for attending each meeting of the board and committees at the rate fixed by the board from time to time. Further, based on the recommendation of the Nomination Committee and as approved by the board, an annual profit based commission will also be provided for each financial year or part there of;

5. List of present Directors

The list of present directors with their contact details are given below;

Manappuram Finance Limited

List of Directors

SI No	Name & Address	Designation	DIN	PAN
1	Mr.Jagdish Capoor 1601 Brooke Ville 359 Mogul Lane Mahim Mumbai- 400016 Mobile No: 9820039991	Chairman	00002516	AACPC3294L

	Email ID: jagdish.capoor@gmail.com			
2	Mr.V.P.Nandakumar "Padmasaroj" Vazhappully House Valapad.Post Thrissur- 680567 Mobile No: 9387111140 Email ID: chairman@manappuram.com	Managing Director & CEO	00044512	ABGPN8092A
3	Mr.I.Unnikrishnan Mannath House Mannath Lane Thrissur- 680001 Mobile No: 9387111148 Email ID: unnikrishnani242@gmail.com	Non Executive Director	01773417	AAFPU7182C
4	Mr.B.N.Raveendra Babu Blanghat House Kaipamangalam.Post Thrissur- 680681 Mobile No: 9387111149 Email ID: babu@manappuram.com	Executive Director	00043622	ABMPR2273B
5	Mr.P.Manomohan 7/71A, "Aswathy" High School Road Chentrappinny.Post Thrissur- 680687 Mobile No: 9349712021 Email ID:pmanomohan@gmail.com	Director	00042836	AALPM9856H
6	Adv.V.R.Ramachandran Valiparambil House 50/840, Ayyanthole Thrissur- 680003 Phone No: 0487 2361488 Email ID:adv.vrr@gmail.com	Director	00046848	ABPPR2083J
7	Mr.Shailesh J Mehta Appartment 142 14 th Floor, Laxmi Vilas 87, Napean Sea Road Malabar Hills Mumbai- 400006 Mobile No: 9819233336 Email ID: shailesh@granitehill.net	Director	01633893	ABAPM4682R
8	Mr.Eknath Atmaram Kshirsagar K.K.Chambers, 3 rd Floor Sir, P.T.Marg, Off.D.N.Road Fort, Mumbai- 400001 Mobile No: 9820122339 Email ID: eak@kshirsagar.in	Director	00121824	AAGPK7567E
9	Mr.V.R.Rajiven	Director	06503049	ACKPR2250D

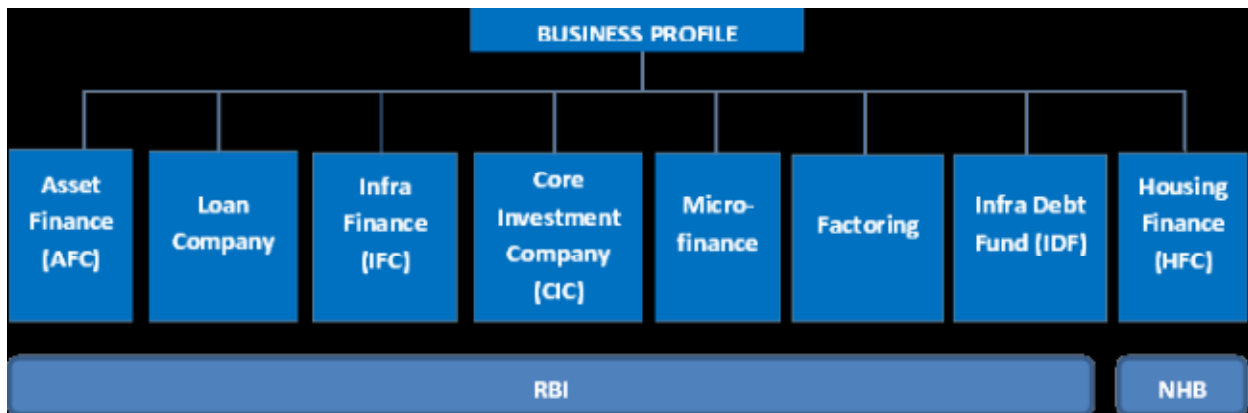
	8/897 F, Vayalil House Vayanasala Road Edachira, Near Info Park Thengode.Post, Kakkannad Ernakulam- 682030 Mobile No: 9846022709 Email ID: rajivenvr@gmail.com			
10	Mr.Pradeep Jagdish Saxena 2, Purnima Patel Compound 20-C, L.J.Marg (Nepean Sea Road) Mumbai- 400006 Mobile No: 9820603333 Email ID: psaxena@iihs.co.in	Director	00288321	ABEPS1601G

6. About the company and the industry.

It is imperative for a person on becoming a director to know the company its business and the overall industry closely. A basic information on NBFC sector and the company, its business and subsidiaries are given below.

NBFC (Non Banking Finance Companies) Sector

Historically, NBFCs have been financing various asset classes ranging from retail, corporate and infrastructure segment. Based upon the business profile, NBFCs are classified in eight broad categories. Out of the eight categories, seven are under the regulatory purview of RBI while the Housing Finance Companies (HFCs) are regulated by the National Housing Bank (NHB).



Over the years, the NBFC sector has been gaining systemic importance. The same can be seen with the rise in share of NBFC assets as a percentage of bank assets. The share of NBFC assets have steadily grown from 10.7% of banking assets in 2009 to 14.3% of bank assets.

In NBFC segment, the company, Manappuram Finance Ltd., belongs to a subsect called 'gold loan NBFCs' which are predominantly engaged in the business of financing against the security of gold jewellery.

We are one of the leading listed NBFCs lending money against the pledge of household and/or used gold jewellery (“**Gold Loans**”) and the second largest Gold Loan provider in India, in terms of gold loan portfolio expanding 163% and 189% during financial year 2010 and financial year 2011 respectively with decline in growth in financial year 2012 in line with the industry. (**Source: Gold Loans Market in India 2012 - IMAcS Research and Analytics Report**). We provide short-term personal and business Gold Loans primarily to retail customers who require immediate availability of funds, but who do not have access to formal credit on an immediate basis. Our Gold Loan portfolio as of March 31, 2014 comprised more than 2.57 million Gold Loan accounts with 1.51 million customers aggregating to ` 81,552.37 million of Gold Loans in principal amount, which is 98.95% of our total loans and advances. As of June 30, 2014, we disburse Gold Loans to our customers from a network of 3,293 branches in 23 states and 4 union territories of India, including 2,309 branches in the southern states of Andhra Pradesh, Telangana, Karnataka, Kerala and Tamil Nadu. We are headquartered in the southern Indian state of Kerala. Our group commenced operations at Valapad, Thrissur, Kerala and has decades of established history in the money lending business, mainly in small-scale money lending against household and/or used gold jewellery.

Our Company has been in the Gold Loan financing business since 1999. Historically, we have also provided other related services, including asset finance, money transfer and foreign exchange, sales of gold coins and business and personal lending. We focus on rapid, on-the-spot approval and disbursement of loans with minimal procedural formalities our customers to complete. We have developed various Gold Loan schemes including Gold Loan Super Xpress Loan (GL-SX), Xpress Loan (GL-XG), Super Loan (GL-SG), Samadhan Gold Loan (GL-SA), Super Relax Gold Loan (GL-SR), GL B1, GL B1+, GL B2+, Gold Loan P1 and Gold Loan P2, which offer variable terms in relation to the amount advanced per gram of gold, the interest rate and the amount of the loan, to meet the different needs of various customers.

Our subsidiaries

The company has two subsidiaries. Manappuram Home Finance Pvt.Ltd., and Asirvad Micro Finance Ltd., While the former is a Housing finance Company registered with National Housing Bank, the later is an NBFC MFI. Our Housing Finance subsidiary is in its early stage of operations, it has an ambitious business plan to grow its house loan portfolio by leveraging the brand equity and the corporate strength of the parent company. The Micro Finance company is having about Rs. 300 crores of loan portfolio with more than 115 branches spread across Tamil Nadu, Kerala and Karnataka.

Other credentials

- The company is enjoying credit facilities from all main banks and financial institutions in India aggregating to Rs.7000.cr.
- The company’s different financial products and bank credits are rated by major credit rating agencies in the country such as CRISIL,ICRA, CARE and Brickwork and its long term debt raising program is rated as AA-
- The company’s shares are listed in BSE,NSE, Madras and Kochi stock exchanges.
- It has raised close to Rs.700.crores of debt fund by the issue of NCDs by way of public issue in 3 consecutive issue programs.

Management of the company.

The day to day affairs of the company is managed by a team of excellent professionals having proven track record in their own respective fields under the able stewardship of Mr. V.P.Nandakumar, MD &

CEO. The top management team includes, Chartered Accountants, Company Secretary, Technocrats, IIMs, HR professionals, ex bankers and other subject experts.

7. Management's perception of risk factors

A person joining the board of the company shall have an idea of the risk to which he is exposed of as a member of the board of the company. Management has identified material risk factors for the company/ industry as a whole. This has been disclosed in the prospectus of the company offering public issue of debt securities.

1. The Company, its Managing Director and Chief Executive Officer, Executive Director and Deputy Chief Executive Officer and certain of our employees are parties to criminal proceedings. We cannot assure you that these cases will be disposed of in our favour. In the event of any adverse order passed in these cases, it may adversely affect our reputation.
2. We may not be able to successfully manage and maintain our growth.
3. Our future growth also depends on our timely access to, and the cost associated with, raising working capital. If we do not have access to financing on terms acceptable to us, our growth could be adversely affected.
4. Volatility in the market price of gold may adversely affect our financial condition, cash flows and results of operations.
5. We face increasing competition in our business which may result in declining margins if we are unable to compete effectively.
6. Our business is highly regulated and we may be adversely affected by future legislative or regulatory changes. Further, the restrictions imposed on NBFCs by the RBI through a Master Circular dated July 1, 2014 may restrict our ability to obtain bank financing for specific activities. Further compliance with many of the regulations applicable to our operations may involve significant costs and otherwise may impose restrictions on our operations.
7. There can be no assurance that we will be able to raise adequate additional capital in the future on terms favourable to us or at all and this may adversely affect the growth of our business.
8. Our financial performance is particularly vulnerable to interest rate risk. If we fail to adequately manage our interest rate risk in the future it could have an adverse effect on our net interest margin, thereby adversely affecting our business, cash flows and financial condition.
9. We may not be able to realise the full value of our pledged gold, which exposes us to potential loss.
10. We are involved in certain legal and other proceedings in India and may face certain liabilities as a result of the same.
11. Failure to make required filings by the Company and its subsidiary with regulatory authorities may result in the imposition of penalties.
12. Our Company's auditors have highlighted certain matters of emphasis or qualified their Auditor's report with respect to certain matters specified in the Companies (Auditors' Report) Order, 2003 on the financial statements for the financial years 2014, 2013, 2012, 2011 and 2010.

13. There were instances of fraud on the Company by employees of the Company where gold loan related misappropriations / cash embezzlements have occurred.
14. Inaccurate appraisal of gold by our personnel may adversely affect our business and financial condition.
15. Our branches are vulnerable to theft.
16. We are subject to the risk of fraud by our employees and customers.
17. We have entered into, and will continue to enter into, related party transactions.
18. Our entire customer base comprises individual borrowers, who generally are more likely to be affected by declining economic conditions than larger corporate borrowers.
19. We are exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk and legal risk. The effectiveness of our risk management is limited by the quality and timeliness of available data.
20. In order to successfully manage and expand our business, we must be able to attract, train, motivate and retain key employees.
21. Our insurance may not be adequate to protect us against all potential losses to which we may be subject.
22. If interest rate restrictions are imposed on lending by NBFCs, our operating results and financial condition may be adversely affected.
23. Our inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may have an adverse effect on our business.
24. The implementation of our KYC norms as well as our measures to prevent money laundering may not be completely effective, which could adversely affect our reputation and in turn have an adverse impact on our business and results of operations.
25. We do not currently own the trademark to the “Manappuram” logo.
26. We face difficulties and incur additional expenses in operating from rural and semi urban areas, where infrastructural facilities are limited.
27. We depend on customer-supplied information when evaluating customer credit worthiness.
28. Our foreign currency exchange business may be adversely affected by exchange rate fluctuations and is required to adhere to strict KYC norms.

Increase in competition from our peer group in the finance sector may result in reduction of our market share, which in turn may adversely affect our profitability.
29. A slow-down in economic growth in India and other political and economic factors may adversely affect our business.
30. The effects of the Companies Act, 2013 are uncertain and could adversely affect the Company’s business.

8. Comparative Financial performance

A comparative statement of the financial position and performance of the company as per the last 3 audited statement of accounts are given below to give an idea to the person joining the board as to get an idea of the size of the balance sheet size and business performance and profitability.

Summary of Audited Balance sheet for the last three years

	Note No.	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Equity and liabilities				
Shareholders' funds				
Share capital	1	1,682.41	1,682.41	1,682.31
Reserves and surplus	2	23,235.32	22,746.73	22,128.13
		24,917.73	24,429.14	23,810.44
Non-current liabilities				
Long-term borrowings	3	14,546.36	13,611.62	10,717.42
Other long term liabilities	4	2,725.63	524.48	128.88
		17,271.99	14,136.10	10,846.30
Current liabilities				
Short-term borrowings	5	52,127.93	68,280.04	72,323.04
Trade Payables	6A	363.40	416.33	399.30
Other current liabilities	6B	12,707.74	19,247.14	11,795.46
Short-term provisions	7	995.03	769.71	1,593.88
		66,194.10	88,713.22	86,111.68
TOTAL		1,08,383.82	1,27,278.46	1,20,768.42
Assets				
Non-current assets				
Fixed assets				
Tangible assets	8A	1,911.21	2,027.04	2,163.72
Intangible assets	8B	62.14	77.88	76.53
Capital work-in-progress		45.22	307.14	144.04
Non-current investments	9A	213.59	50.03	100.03
Deferred tax assets (net)	10	288.97	468.31	188.98
Long-term loans and advances	11	548.76	428.16	523.02
Other Non current assets	12	1,364.22	1,529.81	334.60
		4,434.11	4,888.37	3,530.92
Current assets				
Current investments	9B	7,906.04	6,925.70	2,082.39
Cash and bank balances	13	8,332.57	8,836.08	8,177.08
Short-term loans and advances	11	81,870.88	99,985.93	96,621.46
Other current assets	12	5,840.22	6,642.38	10,356.57
		1,03,949.71	1,22,390.09	1,17,237.50
Total		1,08,383.82	1,27,278.46	1,20,768.42

Comparative statement of financial position and performance

Comparative statement of Profit and loss for the last three years

	Notes	Year ended March 31, 2014	Year ended March 31, 2013	Year ended March 31, 2012
Income				
Revenue from operations	14	21,004.28	22,595.92	26,458.60
Other income	15	113.65	73.61	167.47
Total revenue		21,117.93	22,669.53	26,626.07
Expenses				
Finance costs	16	10,266.01	11,894.86	10,891.00
Employee benefits expense	17	3,235.47	3,421.67	3,090.11
Other expenses	18	3,547.00	3,670.87	3,390.04
Depreciation and amortization expense	19	638.95	617.09	482.86
Total Expenses		17,687.43	19,604.49	17,854.01
Profit before tax		3,430.50	3,065.04	8,772.06
Tax expenses				
Current tax		991.05	1,260.04	2,959.36
Deferred tax		179.34	(279.32)	(101.91)
Total tax expense		1,170.39	980.72	2,857.45
Profit for the year		2,260.11	2,084.32	5,914.61

9. Key definitions.

- i. Act means the Companies Act, 2013 and includes any amendment thereof
- ii. Board
Board of Directors” or “Board”, in relation to a company, means the collective body of the directors of the company
- iii. Director
Director means a director appointed to the Board of a company;
- iv. independent director” means an independent director referred to in sub-section (5) of section 149
- v. key managerial personnel”, in relation to a company, means—
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the company secretary;
 - (iii) the whole-time director;
 - (iv) the Chief Financial Officer; and
 - (v) such other officer as may be prescribed;

10. Company to have Board of Directors

Company's Act specifies the requirement of minimum number of directors for different categories of companies and the maximum thereof; an abstract of relevant provisions of section 149 is given below for easy understanding;

149. (1) Every company shall have a Board of Directors consisting of individuals as directors and shall have—

(a) A minimum number of three directors in the case of a public company, two directors in the case of a private company, and one director in the case of a One Person Company; and

(b) A maximum of fifteen directors:

Provided that a company may appoint more than fifteen directors after passing a Special resolution:

Provided further that such class or classes of companies as may be prescribed, shall have at least one woman director.

(2) Every company existing on or before the date of commencement of this Act shall within one year from such commencement comply with the requirements of the provisions of sub-section (1).

(3) Every company shall have at least one director who has stayed in India for a total period of not less than one hundred and eighty-two days in the previous calendar year.

(4) Every listed public company shall have at least one-third of the total number of directors as independent directors and the Central Government may prescribe the minimum number of independent directors in case of any class or classes of public companies.

Explanation.—For the purposes of this sub-section, any fraction contained in such one-third number shall be rounded off as one.

11.Provisions applicable to Independent Directors

The specific provisions relating to the independent directors including the factors affecting their independence and the protection under the company law are given in section 149 of the Companies Act,. The abstract provisions are re produced below;

149 (6) an independent director in relation to a company, means a director other than a managing director or a whole-time director or a nominee director,—

(a) Who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;

(b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) Who is not related to promoters or directors in the company, its holding, subsidiary or associate company;

(c) Who has or had no pecuniary relationship with the company, its holding, Subsidiary or associate company, or their promoters, or directors, during the two Immediately preceding financial years or during the current financial year;

(d) None of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non- profit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or

(f) who possesses such other qualifications as may be prescribed.

(7) Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration that he meets the criteria of independence as provided in sub-section (6).

Explanation.—For the purposes of this section, “nominee director” means a director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any Government, or any other person to represent its interests.

(8) The company and independent directors shall abide by the provisions specified in Schedule IV.

(9) Notwithstanding anything contained in any other provision of this Act, but subject to the provisions of sections 197 and 198, an independent director shall not be entitled to any stock option and

may receive remuneration by way of fee provided under sub-section (5) of section 197, reimbursement of expenses for participation in the Board and other meetings and profit related commission as may be approved by the members.

(10) Subject to the provisions of section 152, an independent director shall hold office for a term up to five consecutive years on the Board of a company, but shall be eligible for re- appointment on passing of a special resolution by the company and disclosure of such appointment in the Board's report.

(11) Notwithstanding anything contained in sub-section (10), no independent director shall hold office for more than two consecutive terms, but such independent director shall be eligible for appointment after the expiration of three years of ceasing to become an independent director:

Provided that an independent director shall not, during the said period of three years, be appointed in or be associated with the company in any other capacity, either directly or indirectly.

Explanation.—For the purposes of sub-sections (10) and (11), any tenure of an independent director on the date of commencement of this Act shall not be counted as a term under those sub-sections.

(12) Notwithstanding anything contained in this Act,—

(i) an independent director;

(ii) a non-executive director not being promoter or key managerial personnel, Shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently.

(13) The provisions of sub-sections (6) and (7) of section 152 in respect of retirement of directors by rotation shall not be applicable to appointment of independent directors.

12.Code for independent directors

Schedule IV of the Companies Act, 2013 provides the code for independent directors. It is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the stake holders ,

Particularly minority shareholders, regulators and companies in the institution of independent directors.

The text of the code is re produced below

I. Guidelines of professional conduct:

An independent director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his duties;
- (3) exercise his responsibilities in a *bona fide* manner in the interest of the company;

(4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;

(5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;

(6) not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;

(7) refrain from any action that would lead to loss of his independence;

(8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;

(9) assist the company in implementing the best corporate governance practices.

II. Role and functions:

The independent directors shall:

(1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;

(2) bring an objective view in the evaluation of the performance of board and management;

(3) scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

(4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;

(5) safeguard the interests of all stakeholders, particularly the minority shareholders;

(6) balance the conflicting interest of the stakeholders;

(7) determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management

(8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties :

The independent directors shall—

(1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;

(2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;

(3) strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;

(4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;

(5) strive to attend the general meetings of the company;

(6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

(7) keep themselves well informed about the company and the external environment in which it operates;

(8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;

(9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;

(10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

(11) report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

(12) acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

(13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

IV. Manner of appointment:

(1) Appointment process of independent directors shall be independent of the company management;

while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.

(2) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.

(3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.

(4) The appointment of independent directors shall be formalised through a letter of appointment, which shall set out :

- (a) the term of appointment;
- (b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
- (c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
- (d) provision for Directors and Officers (D and O) insurance, if any;
- (e) the Code of Business Ethics that the company expects its directors and employees to follow;
- (f) the list of actions that a director should not do while functioning as such in the company; and
- (g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

(5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.

(6) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

VI. Resignation or removal:

(1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.

(2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than one hundred and eighty days from the date of such resignation or removal, as the case may be.

(3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

VII. Separate meetings:

(1) The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;

(2) All the independent directors of the company shall strive to be present at such meeting;

(3) The meeting shall:

(a) review the performance of non-independent directors and the Board as a whole;

(b) review the performance of the Chairperson of the company, taking into account the views of executive

directors and non-executive directors;

(c) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

VIII. Evaluation mechanism:

(1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

13. Disqualification of directors

Companies Act though not putting in place a specific provisions as qualifications to become a director, it provides for disqualification for directors to prevent the un-desirable persons from managing corporates. The specific provisions relating to disqualification of directors is given in section 164 of the Act and the same is re-produced below for the understanding of the users.

164. (1) A person shall not be eligible for appointment as a director of a company, if —

(a) he is of unsound mind and stands so declared by a competent court;

(b) he is an undischarged insolvent;

(c) he has applied to be adjudicated as an insolvent and his application is pending;

(d) he has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence:

Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;

(e) an order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;

(f) he has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

(g) he has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or

(h) he has not complied with sub-section (3) of section 152.

(2) No person who is or has been a director of a company which—

(a) has not filed financial statements or annual returns for any continuous period of three financial years; or

(b) has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be re-appointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.

(3) A private company may by its articles provide for any disqualifications for appointment as a director in addition to those specified in sub-sections (1) and (2): Provided that the disqualifications referred to in clauses (d), (e) and (g) of sub-section

(1) shall not take effect—

(i) for thirty days from the date of conviction or order of disqualification;

(ii) where an appeal or petition is preferred within thirty days as aforesaid against the conviction resulting in sentence or order, until expiry of seven days from the date on which such appeal or petition is disposed off; or

(iii) where any further appeal or petition is preferred against order or sentence within seven days, until such further appeal or petition is disposed off.

14. Number of Directorships

Companies Act put a restriction on the number of directorships a person can hold at a time in companies. The total directorship a person can hold simultaneously is fixed at 20 companies. But he cannot hold directorship of more than 10 public companies. The relevant provisions of the Act is reproduced below for the benefit of the readers.

165. (1) No person, after the commencement of this Act, shall hold office as a director, including any alternate directorship, in more than twenty companies at the same time:

Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed ten.

Explanation.— For reckoning the limit of public companies in which a person can be appointed as director, directorship in private companies that are either holding or subsidiary company of a public company shall be included.

(2) Subject to the provisions of sub-section (1), the members of a company may, by special resolution, specify any lesser number of companies in which a director of the company may act as directors.

(6) If a person accepts an appointment as a director in contravention of sub-section (1), he shall be punishable with fine which shall not be less than five thousand rupees but which may extend to twenty-five thousand rupees for every day after the first during which the contravention continues.

15. Duties and Responsibilities of Directors

The Companies Act, 2013 and the rules made thereunder read with revised Clause 49 of the Listing agreement has stipulated the duties and responsibilities of Directors for the efficient and prudent corporate management and to ensure and to secure that the Directors of Companies always keep the interest of the Company and its stakeholders over and above their own personal interest. The 2013 Act has brought in specific provisions establishing the duties and responsibilities of the directors, noncompliance attracts penalties. The provisions are given below;

Section 166 of Companies Act, 2013 provides that (1) Subject to the provisions of this Act, a director of a company shall act in

accordance with the articles of the company.

(2) A director of a company shall act in good faith in order to promote the objects of the company for the benefit of its members as a whole, and in the best interests of the company, its employees, the shareholders, the community and for the protection of environment.

(3) A director of a company shall exercise his duties with due and reasonable care, skill and diligence and shall exercise independent judgment.

(4) A director of a company shall not involve in a situation in which he may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the company.

(5) A director of a company shall not achieve or attempt to achieve any undue gain or advantage either to himself or to his relatives, partners, or associates and if such director is found guilty of making any undue gain, he shall be liable to pay an amount equal to that gain to the company.

(6) A director of a company shall not assign his office and any assignment so made shall be void.

(7) If a director of the company contravenes the provisions of this section such director shall be punishable with fine which shall not be less than one lakh rupees but which may extend to five lakh rupees.

16. Resignation of Directors

Under the new Act, specific provision has been made to deal with the resignation of directors. While this section will be generally available to the directors, executive directors resignation will be as per the terms of the contract of employment/ resolution etc.

Section 168 of the Companies Act, 2013 provides that (1) A director may resign from his office by giving a notice in writing to the company and the Board shall on receipt of such notice take note of the same and the company shall intimate the Registrar in such manner, within such time and in such form as may be prescribed and shall also place the fact of such resignation in the report of directors laid in the immediately following general meeting by the company: Provided that a director shall also forward a copy of his resignation along with detailed reasons for the resignation to the Registrar within thirty days of resignation in such manner as may be prescribed.

(2) The resignation of a director shall take effect from the date on which the notice is received by the company or the date, if any, specified by the director in the notice, whichever

is later:

Provided that the director who has resigned shall be liable even after his resignation for the offences which occurred during his tenure.

(3) Where all the directors of a company resign from their offices, or vacate their offices under section 167, the promoter or, in his absence, the Central Government shall appoint the required number of directors who shall hold office till the directors are appointed by the company in general meeting.

17. Register of Directors

Companies shall maintain a register of directors and key managerial personnel. The relevant provisions of the Act is re produced below;

170. (1) Every company shall keep at its registered office a register containing such particulars of its directors and key managerial personnel as may be prescribed, which shall include the details of securities held by each of them in the company or its holding, subsidiary, subsidiary of company's holding company or associate companies.

(2) A return containing such particulars and documents as may be prescribed, of the directors and the key managerial personnel shall be filed with the Registrar within thirty days from the appointment of every director and key managerial personnel, as the case may be, and within thirty days of any change taking place.

18. Board meetings

The Board as a forum is having the absolute powers of management of the company under the law. This body shall exercise its powers by way of its meeting at such intervals. The law specifies the minimum number of meetings in an year and other related matters relating to the board meetings in section 173 relevant provisions are re-produced below;

173. (1) Every company shall hold the first meeting of the Board of Directors within thirty days of the date of its incorporation and thereafter hold a minimum number of four meetings of its Board of Directors every year in such a manner that not more than one hundred and twenty days shall intervene between two consecutive meetings of the Board:

Provided that the Central Government may, by notification, direct that the provisions of this sub-section shall not apply in relation to any class or description of companies or shall apply subject to such exceptions, modifications or conditions as may be specified in the notification.

(2) The participation of directors in a meeting of the Board may be either in person or through video conferencing or other audio visual means, as may be prescribed, which are capable of recording and recognising the participation of the directors and of recording and storing the proceedings of such meetings along with date and time:

Provided that the Central Government may, by notification, specify such matters which shall not be dealt with in a meeting through video conferencing or other audio visual means.

(3) A meeting of the Board shall be called by giving not less than seven days' notice in writing to every director at his address registered with the company and such notice shall be sent by hand delivery or by post or by electronic means:

Provided that a meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one independent director, if any, shall be present at the meeting:

Provided further that in case of absence of independent directors from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the directors and shall be final only on ratification thereof by at least one independent director, if any.

(4) Every officer of the company whose duty is to give notice under this section and who fails to do so shall be liable to a penalty of twenty-five thousand rupees.

19.Quorum for board meeting

No business at a meeting of the board shall be passed unless there is a proper quorum for the meeting. Companies Act has specific provisions relating to quorum. The quorum needs to be maintained throughout the meeting while transacting the business. The relevant portion of the statutory provisions are reproduced below;

174. (1) The quorum for a meeting of the Board of Directors of a company shall be one third of its total strength or two directors, whichever is higher, and the participation of the directors by video conferencing or by other audio visual means shall also be counted for the purposes of quorum under this sub-section.

(2) The continuing directors may act notwithstanding any vacancy in the Board; but, if and so long as their number is reduced below the quorum fixed by the Act for a meeting of the Board, the continuing directors or director may act for the purpose of increasing the number of directors to that fixed for the quorum, or of summoning a general meeting of the company and for no other purpose.

(3) Where at any time the number of interested directors exceeds or is equal to two thirds of the total strength of the Board of Directors, the number of directors who are not interested directors and present at the meeting, being not less than two, shall be the quorum during such time.

Explanation.—For the purposes of this sub-section, “interested director” means a director within the meaning of sub-section (2) of section 184.

(4) Where a meeting of the Board could not be held for want of quorum, then, unless the articles of the company otherwise provide, the meeting shall automatically stand adjourned to the same day at the same time and place in the next week or if that day is a national holiday, till the next succeeding day, which is not a national holiday, at the same time and place. *Explanation.*—For the purposes of this section,—

20.Mandatory items to be reviewed by the board.

Annexure - X to the Listing Agreement

Information to be placed before Board of Directors

1. Annual operating plans and budgets and any updates.
2. Capital budgets and any updates.
3. Quarterly results for the company and its operating divisions or business segments.
4. Minutes of meetings of audit committee and other committees of the board.

5. The information on recruitment and remuneration of senior officers just below the board level, including appointment or removal of Chief Financial Officer and the Company Secretary.
6. Show cause, demand, prosecution notices and penalty notices which are materially important.
7. Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
8. Any material default in financial obligations to and by the company, or substantial nonpayment for goods sold by the company.
9. Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order which, may have passed strictures on the conduct of the company or taken an adverse view regarding another enterprise that can have negative implications on the company.
10. Details of any joint venture or collaboration agreement.
11. Transactions that involve substantial payment towards goodwill, brand equity, or intellectual property.
12. Significant labour problems and their proposed solutions. Any significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme etc.
13. Sale of material nature, of investments, subsidiaries, assets, which is not in normal course of business.
14. Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
15. Non-compliance of any regulatory, statutory or listing requirements and shareholders service such as non-payment of dividend, delay in share transfer etc.

21.Powers of the Board

Generally speaking the board of the company can exercise all the powers the company is authorised to do. There are certain restrictions too. The law also prescribes certain items to be transacted only at a meeting of the board. The regulatory provisions in this direction is dealt in section 179 of the Act and it is re-produced below;

179(1) The Board of Directors of a company shall be entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do:

Provided that in exercising such power or doing such act or thing, the Board shall be subject to the provisions contained in that behalf in this Act, or in the memorandum or articles, or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the company in general meeting:

Provided further that the Board shall not exercise any power or do any act or thing which is directed or required, whether under this Act or by the memorandum or articles of the company or otherwise, to be exercised or done by the company in general meeting.

(2) No regulation made by the company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

(3) The Board of Directors of a company shall exercise the following powers on behalf of the company by means of resolutions passed at meetings of the Board, namely:—

- (a) to make calls on shareholders in respect of money unpaid on their shares;
- (b) to authorise buy-back of securities under section 68;
- (c) to issue securities, including debentures, whether in or outside India;
- (d) to borrow monies;
- (e) to invest the funds of the company;
- (f) to grant loans or give guarantee or provide security in respect of loans;
- (g) to approve financial statement and the Board's report;
- (h) to diversify the business of the company;
- (i) to approve amalgamation, merger or reconstruction;
- (j) to take over a company or acquire a controlling or substantial stake in another company;
- (k) any other matter which may be prescribed:

Provided that the Board may, by a resolution passed at a meeting, delegate to any committee of directors, the managing director, the manager or any other principal officer of the company or in the case of a branch office of the company, the principal officer of the branch office, the powers specified in clauses (d) to (f) on such conditions as it may specify:

(4) Nothing in this section shall be deemed to affect the right of the company in general meeting to impose restrictions and conditions on the exercise by the Board of any of the powers specified in this section.

22.Restrictions on the powers of the Board

While the board has the general powers of the management of the company, the law prescribes certain restrictions on such powers and the exercise of those powers shall be with the prior approval of the company in general meeting. The specific provisions under the law is re produced below;

Section 180. (1) The Board of Directors of a company shall exercise the following powers only with the consent of the company by a special resolution, namely:—

- (a) to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the company or where the company owns more than one undertaking, of the whole or substantially the whole of any of such undertakings.

Explanation.—For the purposes of this clause,—

(i) “undertaking” shall mean an undertaking in which the investment of the company exceeds twenty per cent. of its net worth as per the audited balance sheet of the preceding financial year or an undertaking which generates twenty

per cent. of the total income of the company during the previous financial year;

(ii) the expression “substantially the whole of the undertaking” in any financial year shall mean twenty per cent. or more of the value of the undertaking as per the audited balance sheet of the preceding financial year;

(b) to invest otherwise in trust securities the amount of compensation received by it as a result of any merger or amalgamation;

(c) to borrow money, where the money to be borrowed, together with the money already borrowed by the company will exceed aggregate of its paid-up share capital and free reserves, apart from temporary loans obtained from the company’s bankers in the ordinary course of business:

Provided that the acceptance by a banking company, in the ordinary course of its business, of deposits of money from the public, repayable on demand or otherwise, and withdraw able by cheque, draft, order or otherwise, shall not be deemed to be a borrowing of monies by the banking company within the meaning of this clause.

Explanation.—For the purposes of this clause, the expression “temporary loans” means loans repayable on demand or within six months from the date of the loan such as short-term, cash credit arrangements, the discounting of bills and the issue of other short-term loans of a seasonal character, but does not include loans raised for the

purpose of financial expenditure of a capital nature;

(d) to remit, or give time for the repayment of, any debt due from a director.

(2) Every special resolution passed by the company in general meeting in relation to the exercise of the powers referred to in clause (c) of sub-section (1) shall specify the total amount up to which monies may be borrowed by the Board of Directors.

(3) Nothing contained in clause (a) of sub-section (1) shall affect—

(a) the title of a buyer or other person who buys or takes on lease any property, investment or undertaking as is referred to in that clause, in good faith; or

(b) the sale or lease of any property of the company where the ordinary business of the company consists of, or comprises, such selling or leasing.

(4) Any special resolution passed by the company consenting to the transaction as is referred to in clause (a) of sub-section (1) may stipulate such condition as may be specified in such resolution,

including conditions regarding the use disposal or investment of the sale proceeds which may result from the transaction;

Provided that this sub section shall not be deemed to authorize company to effect any reduction in its capital except in accordance with the provisions contained in this Act,

(5) No debt incurred by the company in excess of the limit imposed by clause (c) of sub-section (1) shall be valid or effectual, unless the lender proves that he advanced the loan in good faith and without knowledge that the limit imposed by that clause had been exceeded.

23. Disclosure of Interest by directors

184. (1) Every director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the disclosures already made, then at the first Board meeting held after such change, disclose his concern or interest in any company or companies or bodies corporate, firms, or other association of individuals which shall include the shareholding, in such manner as may be prescribed.

(2) Every director of a company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into—

(a) with a body corporate in which such director or such director in association with any other director, holds more than two per cent. shareholding of that body corporate, or is a promoter, manager, Chief Executive Officer of that body corporate; or

(b) with a firm or other entity in which, such director is a partner, owner or member, as the case may be, shall disclose the nature of his concern or interest at the meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting:

Provided that where any director who is not so concerned or interested at the time of entering into such

Provided that this sub-section shall not be deemed to authorise the company to effect any reduction in its capital except in accordance with the provisions contained in this Act.
contract or arrangement, he shall, if he becomes concerned or interested after the contract or arrangement is entered into, disclose his concern or interest forthwith when he becomes concerned or interested or at the first meeting of the Board held after he becomes so concerned or interested.

(3) A contract or arrangement entered into by the company without disclosure under sub-section (2) or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement, shall be voidable at the option of the company.

(4) If a director of the company contravenes the provisions of sub-section (1) or subsection (2), such director shall be punishable with imprisonment for a term which may extend to one year or with fine which shall not be less than fifty thousand rupees but which may extend to one lakh rupees, or with both.

(5) Nothing in this section—

(a) shall be taken to prejudice the operation of any rule of law restricting a director of a company from having any concern or interest in any contract or arrangement with the company;

(b) shall apply to any contract or arrangement entered into or to be entered into between two companies where any of the directors of the one company or two or more of them together holds or hold not more than two per cent. of the paid-up share capital in the other company.

24.Fit and Proper' Criteria for Directors of NBFCs

RBI vide Circular no. DNBR (PD) CC.No.002/03.10.001/2014-15 dated 10th November, 2014 has issued guidelines on Corporate Governance and Disclosure for NBFCs. With the growing systemic significance of NBFCs, it becomes important that the directors and shareholders who are responsible for steering their affairs are fit and proper persons besides having the necessary qualifications.

In order to streamline and bring in uniformity in the process of due diligence while appointing directors, NBFCs are advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards.

NBFCs are required to undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. NBFCs should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given below:

Reserve Bank had issued a Directive in June 2004 to banks on undertaking due diligence on the persons before appointing them on the Boards of banks based on the 'Report of the Consultative Group of Directors of Banks / Financial Institutions'. Specific 'fit and proper' criteria to be fulfilled by the directors were also advised.

2. The importance of due diligence of directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution.

It is proposed to follow the same guidelines mutatis mutandis in case of NBFCs also. While the Reserve Bank does carry out due diligence on directors before issuing Certificate of Registration to an NBFC, it is necessary that NBFCs put in place an internal supervisory process on a continuing basis.

Further, in order to streamline and bring in uniformity in the process of due diligence, while appointing directors, NBFCs are advised to ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

(a) NBFCs should undertake a process of due diligence to determine the suitability of the person for appointment / continuing to hold appointment as a director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria.

NBFCs should obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex- 2.

(b) The process of due diligence should be undertaken by the NBFCs at the time of appointment / renewal of appointment.

(c) The boards of the NBFCs should constitute Nomination Committees to scrutinize the declarations.

(d) Based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance or otherwise of the Directors, where considered necessary.

(e) NBFCs should obtain annually as on 31st March a simple declaration from the directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.

(f) The Board of the NBFC must ensure in public interest that the nominated/ elected directors execute the deeds of covenants in the format

given in Annex-3.

(g) Independent /non-executive Directors nominated to the board of NBFC should be between 35 to 70 years of age.

Declaration and Undertaking by Director (with enclosures as appropriate as on)

I. Personal details of director

a. Full name

b. Date of Birth

c. Educational Qualifications

d. Relevant Background and Experience

e. Permanent Address

f. Present Address

g. E-mail Address / Telephone Number

h. Permanent Account Number under the Income Tax

Act and name and address of Income Tax Circle

i. Relevant knowledge and experience

j. Any other information relevant to Directorship of the

NBFC

II Relevant Relationships of director

a. List of Relatives if any who are connected with the

NBFC (Refer Section 6 and Schedule 1A of the

Companies Act, 1956 and corresponding provisions

of New Companies Act, 2013)

b. List of entities if any in which he/she is considered

as being interested (Refer Section 299(3)(a) and

Section 300 of the Companies Act, 1956 and

corresponding provisions of New Companies Act, 2013)

c. List of entities in which he/she is considered as holding substantial interest within the meaning of NBFC Prudential Norms Directions, 2007

d. Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)

e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC

f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC / bank.

III Records of professional achievements

a. Relevant professional achievements

IV. Proceedings, if any, against the director

a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/ occupation at any time.

b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations

c. Details of criminal prosecution, if any, pending or

commenced or resulting in conviction in the last five years against the director

d. Whether the director attracts any of the disqualifications envisaged under Section 274 of the Companies Act 1956 and corresponding provisions of New Companies Act, 2013?

e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?

f. Has the director at any time been found guilty of violation of rules/regulations/ legislative requirements by customs/ excise /income tax/foreign exchange /other revenue authorities, if so give particulars

g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.

(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in toto, it would be necessary to make a mention of the same, in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc and not on merit, If the order of the regulator is temporarily stayed and the appellate/ court proceedings are pending, the same also should be mentioned.)

V. Any other explanation / information in regard to items I to III and other information considered

relevant for judging fit and proper

Undertaking

I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.

I also undertake to execute the deed of covenant required to be executed by all directors of the NBFC.

Place : Signature

25. Specimen of Deed of Covenants to be executed by Directors of NBFCs under RBI Guidelines.

Form of Deed of Covenants with a Director

THIS DEED OF COVENANTS is made this _____ day of _____ Two

thousand ____ BETWEEN _____, having its registered office at _____ (hereinafter called the 'NBFC') of the one part and Mr / Ms _____ of _____ (hereinafter called the "Director") of the

other part.

WHEREAS

A. The director has been appointed as a director on the Board of Directors of the NBFC (hereinafter called "the Board") and is required as a term of his / her appointment to enter into a Deed of Covenants with the NBFC.

B. The director has agreed to enter into this Deed of Covenants, which has been approved by the Board, pursuant to his said terms of appointment.

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH

AS FOLLOWS :

1. The director acknowledges that his / her appointment as director on the Board of the NBFC is subject to applicable laws and regulations including the Memorandum and Articles of Association of the NBFC and the provisions of this Deed of Covenants.

2. The director covenants with the NBFC that :

(i) The director shall disclose to the Board the nature of his / her interest, direct or indirect, if he / she has any interest in or is concerned with a contract or arrangement or any proposed contract or arrangement entered into or to be entered into between the NBFC and any other person, immediately upon becoming aware of the same or at meeting of the Board at which the question of entering into such contract or arrangement is taken into consideration or if the director was not at the date of that meeting concerned or interested in such proposed contract or arrangement, then at the first meeting of the Board held after he / she becomes so concerned or interested and in case of any other contract or arrangement, the required disclosure shall be made at the first meeting of the Board held after the director becomes concerned or interested in the contract or arrangement.

(ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(ii) The director shall disclose by general notice to the Board his / her other directorships, his / her memberships of bodies corporate, his / her interest in other entities and his / her interest as a partner or proprietor of firms and shall keep the Board apprised of all changes therein.

(iii) The director shall provide to the NBFC a list of his / her relatives as defined in the Companies Act, 1956 or 2013 and to the extent the director is aware of directorships and interests of such relatives in other bodies corporate, firms and other entities.

(iv) The director shall in carrying on his / her duties as director of the NBFC:

(a) use such degree of skill as may be reasonable to expect from a person with his / her knowledge or experience;

(b) in the performance of his / her duties take such care as he / she might be reasonably expected to take on his / her own behalf and exercise any power vested in him / her in good faith and in the interests of the NBFC;

(c) shall keep himself / herself informed about the business, activities and financial status of the NBFC to the extent disclosed to him / her;

(d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his / her obligations as director of the NBFC;

(e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC;

(f) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments and standards of conduct;

(g) shall in exercise of his / her judgment in matters brought before the Board or entrusted to him / her by the Board be free from any business or other relationship which could materially interfere with the exercise of his / her independent judgment; and

(h) shall express his / her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his / her independent judgment;

(v) The director shall have :

(a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose;

(b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and

(c) duty to acquire proper understanding of the business of the NBFC.

(vi) The director shall :

(a) not evade responsibility in regard to matters entrusted to him / her by the Board;

(b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he / she shall forthwith disclose his / her concerns to the Board; and

(c) not make improper use of information disclosed to him / her as a member of the Board for his / her or someone else's advantage or benefit and shall use the information disclosed to him / her by the NBFC in his / her capacity as director of the NBFC only for the purposes of performance of his / her duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

(i) the NBFC shall apprise the director about:

(a) Board procedures including identification of legal and other duties of Director and required compliances with statutory obligations;

(b) control systems and procedures;

(c) voting rights at Board meetings including matters in which Director should not participate because of his / her interest, direct or indirect therein;

(d) qualification requirements and provide copies of Memorandum and Articles of Association;

(e) corporate policies and procedures;

(f) insider dealing restrictions;

(g) constitution of, delegation of authority to and terms of reference of various committees constituted by the Board;

(h) appointments of Senior Executives and their authority;

(i) remuneration policy,

(j) deliberations of committees of the Board, and

(k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the

compliance officer who shall be responsible for all statutory and legal compliance.

(ii) the NBFC shall disclose and provide to the Board including the director all information which is reasonably required for them to carry out their functions and duties as a director of the NBFC and to take informed decisions in respect of matters brought before the Board for its consideration or entrusted to the director by the Board or any committee thereof;

(iii) the disclosures to be made by the NBFC to the directors shall include but not be limited to the following :

(a) all relevant information for taking informed decisions in respect of matters brought before the Board;

(b) NBFC's strategic and business plans and forecasts;

(c) organisational structure of the NBFC and delegation of authority;

(d) corporate and management controls and systems including procedures;

(e) economic features and marketing environment;

(f) information and updates as appropriate on NBFC's products;

(g) information and updates on major expenditure;

(h) periodic reviews of performance of the NBFC; and

(i) report periodically about implementation of strategic initiatives and plans;

(iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and

(v) advise the director about the levels of authority delegated in matters placed

before the Board.

4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.

5. The NBFC shall appoint a compliance officer who shall be a Senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of Reserve Bank of India and other concerned statutory and governmental authorities.

6. The director shall not assign, transfer, sublet or encumber his / her office and his / her rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.

7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge or compliance thereof at any time or times thereafter.

8. Any and all amendments and / or supplements and / or alterations to this Deed of Covenants shall be valid and effectual only if in writing and signed by the director and the duly authorised representative of the NBFC.

9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

IN WITNESS WHEREOF THE PARTIES HAVE DULY EXECUTED THIS
AGREEMENT ON THE DAY, MONTH AND YEAR FIRST ABOVE WRITTEN.

For the NBFC Director

By

Name: Name:

Title:

26. Specimen of appointment letter to Independent Directors

In accordance with the provisions Section 149 and 152 and other applicable provisions of the Companies Act, 2013 and the rules made thereunder read with Clause 49 of the Listing Agreement as amended and the Companies (Appointment and Qualification of Directors) Rules, 2014, the Specimen of appointment letter to Independent Directors is as follow:

LETTER OF APPOINTMENT OF INDEPENDENT DIRECTORS

Dear Mr.

.....

I am writing to confirm our decision to appoint you on the Board of Directors of Manappuram Finance Limited with effect from 2014. This letter of appointment sets out the terms and conditions covering your appointment which are as follows:

1. Appointment

1.1 You Have been appointed as a Non-Executive Independent Director on the Board of Directors of Manappuram Finance Limited (MAFIL) with effect from 2014.

1.2 Your term of appointment shall be for a period of five years subject to fulfillment of fit and proper criteria as framed by Reserve Bank of India from time to time.

1.3 The Company has adopted the provisions with respect to appointment and tenure of Independent Directors which is consistent with the Companies Act, 2013 and the Listing Agreement. Accordingly, the Independent Directors will serve for not more than two terms of five years each on the Board of the Company. The Company is at liberty to disengage Non Executive Independent Director earlier subject to compliance of relevant provisions of Companies Act, 2013.

2. Committees

The Board of Directors (the Board) may, if it deems fit, invite you for being appointed on one or more existing Board Committees or any such Committee that is set up in the future. Your appointment on such Committee(s) will be subject to the applicable regulations

3. Time Commitment

3.1 As a Non-Executive Director you are expected to bring objectivity and independence of view to the Board's discussions and to help or provide the Board with effective leadership in relation to the Company's strategy, performance, and risk management as well as ensuring high standards of financial probity and corporate governance. The Board meets at least 4 times in a year. The Audit Committee also meets at least 4 times in a year. Besides, there are other Committee meetings like Nomination and Remuneration Committee, Stakeholders' Relationship Committee and Corporate Social Responsibility Committee meetings which are ordinarily convened four times in a year. You will be expected to attend Board, Board Committees to which you may be appointed and Shareholders meetings and to devote such time to your duties, as appropriate for you to discharge your duties effectively. Ordinarily, all meetings are held in Head Office at Valapad.

3.2 By accepting this appointment, you confirm that you are able to allocate sufficient time to meet the expectations from your role to the satisfaction of the Board.

4. Duties

Your duties will be those normally required of a Non-Executive Independent Director under the Companies Act, 2013 and the listing agreement. There are certain duties prescribed for all Directors, both Executive and Non-Executive, which are fiduciary in nature and are as under:

- 4.1 undertake appropriate induction and regularly update and refresh your skills, knowledge and familiarity with the company;
- 4.2 seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- 4.3 strive to attend all meetings of the Board of Directors and of the Board committees of which you are/ going to be a member;
- 4.4 participate constructively and actively in the committees of the Board in which you are/ going to be chairpersons or members;
- 4.5 strive to attend the general meetings of the company;
- 4.6 where you have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- 4.7 keep yourself well informed about the company and the external environment in which it operates;

4.8 not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;

4.9 pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;

4.10 ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;

4.11 report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;

4.12 acting within your authority, assist in protecting the legitimate interests of the company, shareholders and its employees;

4.13 not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

5. Role and functions

Your roles and functions shall:

5.1 help in bringing an independent judgement to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct

5.2 bring an objective view in the evaluation of the performance of board and management

5.3 scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance

5.4 satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible

5.5 safeguard the interests of all stakeholders, particularly the minority share holders

5.6 balance the conflicting interest of the stakeholders

5.7 determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management

5.8 moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholders's interest.

6. Code of business Ethics that the company expects its directors and employees to follow:

6.1 Honesty, integrity and diligence are the fundamental aspects qualifying every act on the part of the board and senior management. They should act in good faith for and on behalf of the company and

adopt the highest standards of personal ethics, integrity, confidentiality and discipline in dealing with all matters relating to the Company.

6.2 Any confidential information obtained during the course of their duty should not be used for personal aggrandizement or financial gain to self or to a third party.

6.3 They shall not engage in any business, which is detrimental to the interests of the company. They shall maintain the confidentiality of all material and non-public information about the company or its business and must always act in the best interests of the Company and its stakeholders.

6.4 They Shall not accept any gifts, benefits in cash or in kind or other personal favours from the customers or from those seeking any business from the company and shall conduct the activities outside the Company in such manner as not to adversely affect the image or reputation of the Company.

6.5 The directors shall not associate with other Gold Loan NBFC registered under Companies Act and regulated by RBI either as a Director or in any managerial or advisory capacity, (not including statutory compliance and audit) without the prior approval of the Board.

6.6 They must obey existing local, state, national, and international laws unless there is a compelling ethical basis not to do so.

6.7 They shall strive to achieve the highest quality, effectiveness and dignity in their work and must accept social responsibilities for their acts.

6.8 They shall always abide by the Code of Conduct, and shall be accountable to the Board for their actions/violations/defaults.

7. Status of Appointment

7.1 You will not be an employee of the Company and this letter shall not constitute a contract of employment. You will be paid such remuneration by way of sitting fees for meetings of the Board and its Committees as may be decided by the Board and approved by the Shareholders from time to time. Further, you will also be paid remuneration by way of commission as may be approved by the Board and the Shareholders from time to time.

7.2 The sitting fees presently paid to the Non-Executive Independent Director is Rs. 40,000/- per meeting of the Board, Audit Committee Meeting and Nomination Compensation and Corporate Governance Committee respectively and Rs. 15,000/- per meeting for other committees meeting.

8. Reimbursement of Expenses

In addition to the remuneration described in paragraph 7 the Company will, for the period of your appointment, reimburse you for travel, hotel and other incidental expenses incurred by you in the performance of your role and duties.

9. Conflict of Interest

9.1 It is accepted and acknowledged that you may have business interests other than those of the Company. As a condition to your appointment commencing, you are required to declare any such directorships, appointments and interests to the Board in writing in the prescribed form at the time of your appointment.

9.2 In the event that your circumstances seem likely to change and might give rise to a conflict of interest or, when applicable, circumstances that might lead the Board to revise its judgement that you are independent, this should be disclosed to both the Chairman and the Secretary.

10. Confidentiality

All information acquired during your appointment is confidential to MAFIL and should not be released, either during your appointment or following termination (by whatever means) to third parties without prior clearance from the Chairman unless required by law or by the rules of any stock exchange or regulatory body. On reasonable request, you shall surrender any documents and other materials made available to you by MAFIL.

Your attention is also drawn to the requirements under the applicable regulations and the MAFIL Share Dealing Code which concern the disclosure of price sensitive information and dealing in the securities of MAFIL. Consequently you should avoid making any statements or performing any transactions that might risk a breach of these requirements without prior clearance from the Chairman or the Secretary.

11. Evaluation

The Company will carry out an evaluation of the performance of the Board as a whole, Board Committees and Directors on an annual basis. Your appointment and re appointment on the Board shall subject to the outcome of the yearly evaluation process.

12. Insurance

MAFIL has Directors' and Officers' liability insurance and it is intended that MAFIL will assume and maintain such cover for the full term of your appointment.

13. Independent Professional Advice

There may be occasions when you consider that you need professional advice in furtherance of your duties as a Director and it will be appropriate for you to consult independent advisers at the Company's expense. The Company will reimburse the full cost of expenditure incurred in accordance with the Company's policy.

14. Disclosure of Interest

The Company must include in its Annual Accounts a note of any material interest that a Director may have in any transaction or arrangement that the Company has entered into. Such interest should be disclosed no later than when the transaction or arrangement comes up at a Board meeting so that the minutes may record your interest appropriately and our records are updated. A general notice that you are interested in any contracts with a particular person, firm or company is acceptable.

15. Termination

a. You may resign from your position at any time and should you wish to do so, you are requested to serve a reasonable written notice on the Board.

b. Continuation of your appointment is contingent on your getting re-elected by the shareholders in accordance with provisions of Companies Act, 2013 and the Articles of Association of the Company, from time to time in force. You will not be entitled to compensation if the shareholders do not re-elect you at any time.

c. Your appointment may also be terminated in accordance with the provisions of the Articles of Association of the Company from time to time in force.

16. Governing Law

This agreement is governed by and will be interpreted in accordance with Indian law and your engagement shall be subject to the jurisdiction of the Indian courts.

If you are willing to accept these terms of appointment relating to your appointment as a non executive Independent Director of MAFIL, kindly confirm your acceptance of these terms by signing and returning to us the enclosed copy of this letter.

Yours sincerely

Chairman /Managing Director & CEO
For and on behalf of Manappuram Finance Limited

I hereby acknowledge receipt of and accept the terms set out in this letter.

Signed

Dated

27. Code of Conducts and ethical behavior

In line with the requirement under the listing agreement the company has put in place a code of conduct and ethical behavior to be observed by the directors and senior management of the company. The directors shall give a certification of adherence to this policy on an annual basis and the CEO of the company shall give a certification to this effect in the boards report. The policy as approved by the board on 25th July 2014 is given below;

MANAPPURAM FINANCE LTD.

CODE OF CONDUCT FOR BOARD AND SENIOR MANAGEMENT

(As approved by the Board on 25th July 2014)

1. Manappuram Finance Ltd is committed to upholding the highest standards of moral and ethical values in the conduct of its business. The board of directors, senior management and all employees of this company share this commitment. The company has adopted the following code of conduct as its policy guide in the conduct of its business. Commitment to ethical professional conduct is expected of every member and all employees should understand and implement the code adopted by the company in its true spirit.

For the purposes of this code the Board means all directors of the company including the chairman and managing director. Senior management shall mean Deputy General Managers, all functional heads reporting to the Chief Executive Officer and the Company Secretary.

2. Honesty, integrity and diligence are the fundamental aspects qualifying every act on the part of the board and senior management. They should act in good faith for and on behalf of the company and adopt the highest standards of personal ethics, integrity, confidentiality and discipline in dealing with all matters relating to the Company

3. Any confidential information obtained during the course of their duty should not be used for personal aggrandizement or financial gain to self or to a third party.
4. They shall not engage in any business, which is detrimental to the interests of the company. They shall maintain the confidentiality of all material and non-public information about the company or its business and must always act in the best interests of the Company and its stakeholders.
5. They Shall not accept any gifts, benefits in cash or in kind or other personal favours from the customers or from those seeking any business from the company and shall conduct the activities outside the Company in such manner as not to adversely affect the image or reputation of the Company.
6. The directors shall not associate with other Non Banking Financial Companies registered with RBI outside the group either as a Director or in any managerial or advisory capacity, (not including statutory compliance and audit) without the prior approval of the Board.
7. They must obey existing local, state, national, and international laws unless there is a compelling ethical basis not to do so.
8. They shall strive to achieve the highest quality, effectiveness and dignity in their work and must accept social responsibilities for their acts.
9. They shall always abide by the Code of Conduct, and shall be accountable to the Board for their actions/violations/defaults

Independent directors shall have following duties:

The independent directors shall—

1. undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
2. seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
3. strive to attend all meetings of the Board of Directors and of the Board committees of which he is a member;
4. participate constructively and actively in the committees of the Board in which they are chairpersons or members;
5. strive to attend the general meetings of the company;
6. where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;

7. keep themselves well informed about the company and the external environment in which it operates;
8. not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
9. pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
10. ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
11. report concerns about unethical behavior, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
12. acting within his authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
13. not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

In addition to the above duties an independent director shall be subject to following professional conduct:

An independent director shall:

1. uphold ethical standards of integrity and probity;
2. act objectively and constructively while exercising his duties;
3. exercise his responsibilities in a *bona fide* manner in the interest of the company;
4. devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5. not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6. not abuse his position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7. refrain from any action that would lead to loss of his independence;

8. where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9. assist the company in implementing the best corporate governance practices.

An independent director shall be held liable, only in respect of such acts of omission or commission by a company which had occurred with his knowledge, attributable through Board processes, and with his consent or connivance or where he had not acted diligently with respect of the provisions contained in the Listing Agreement.

28. Whistle blower policy

The company has put in place a whistle blower mechanism to get reported an ethical behavior or other adverse incidents in work place and to deal with such matters. The employees reporting such matters will be protected from unfair treatment. The policy of the company is given below;

MANAPPURAM FINANCE LIMITED **Whistle Blower Policy** **(As approved by the Board on 9th August 2013)**

1. Preface

Manappuram Finance Limited believes in the conduct of the affairs of its constituents in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behaviour. Towards this end, Manappuram Finance Limited has formulated the personnel policies that should govern the actions of Manappuram Finance Limited and their employees. Any actual or potential violation of the policy, howsoever insignificant or perceived as such, would be a matter of serious concern for the Company. The role of the employees in pointing out such violations of the policy cannot be undermined.

“Reporting Concerns

Every employee of the Company shall promptly report to the management, in the manner provided here in, any actual or possible violation of the employment rules or an event he becomes aware of that could affect the business or reputation of his or the Company."

Clause 49 of the Listing Agreement between listed companies and the Stock Exchanges has been recently amended which, inter alia, provides for a non mandatory requirement for all listed companies

to establish a mechanism called 'Whistle Blower Policy' for employees to report to the management instances of unethical behaviour, actual or suspected, fraud or violation of the employment rules, working of the Company or ethics policy.

Accordingly, this Whistle Blower Policy ("the Policy") has been formulated with a view to provide a mechanism for employees of the Company to approach the Audit Committee of the Company.

2. Definitions

The definitions of some of the key terms used in this Policy are given below.

"Audit Committee" means the Audit Committee constituted by the Board of Directors of the Company in accordance with Section 292A of the Companies Act, 1956 and read with Clause 49 of the Listing Agreement with the Stock Exchanges.

"Employee" means every employee of the Company including the Directors in the employment of the Company.

"Investigators" means those persons authorised, appointed, consulted or approached by Audit Committee and include the auditors of the Company and the police.

"Protected Disclosure" means any communication made in good faith that discloses or demonstrates information that may evidence unethical or improper activity.

"Subject" means a person against or in relation to whom a Protected Disclosure has been made or evidence gathered during the course of an investigation.

"Whistle Blower" means an Employee making a Protected Disclosure under this Policy.

3. Scope

The Whistle Blower's role is that of a reporting party with reliable information. They are not required or expected to act as investigators or finders of facts, nor would they determine the appropriate corrective or remedial action that may be warranted in a given case.

4. Eligibility

All Employees of the Company are eligible to make Protected Disclosures under the Policy. The Protected Disclosures may be in relation to matters concerning the Company .

5. Disqualifications

While it will be ensured that genuine Whistle Blowers are accorded complete protection from any kind of unfair treatment as herein set out, any abuse of this protection will warrant disciplinary action. Protection under this Policy would not mean protection from disciplinary action arising out of false or bogus allegations made by a Whistle Blower knowing it to be false or bogus or with a mala fide intention.

Whistle Blowers, who make three or more Protected Disclosures, which have been subsequently found to be mala fide, frivolous, baseless, malicious, or reported otherwise than in good faith, will be disqualified from reporting further Protected Disclosures under this Policy. In respect of such Whistle Blowers, the Company/Audit Committee would reserve its right to take/recommend appropriate disciplinary action.

6. Procedure for Protected Disclosures.

All Protected Disclosures should be addressed to the Chairman of the Audit Committee of the

Company. The contact details of the Chairman of the Audit Committee are as under:

The Chairman
Audit Committee
Manappuram Finance Ltd
Manappuram House,
Valapad,Thrissur-680567

Protected Disclosures should preferably be reported in writing so as to ensure a clear understanding of the issues raised and should either be typed or written in a legible handwriting in English, Hindi or in the regional language of the place of employment of the Whistle Blower.

The Protected Disclosure should be forwarded under a covering letter which shall bear the identity of the Whistle Blower. The Chairman of the Audit Committee shall detach the covering letter and discuss the Protected Disclosure with Members of the Audit Committee and if deemed fit, forward the Protected Disclosure for investigation .

Protected Disclosures should be factual and not speculative or in the nature of a conclusion, and should contain as much specific information as possible to allow for proper assessment of the nature and extent of the concern and the urgency of a preliminary investigative procedure. The Whistle Blower must disclose his/her identity in the covering letter forwarding such Protected Disclosure. Anonymous disclosures will not be entertained by the Audit Committee as it would not be possible for it to interview the Whistle Blowers.

7. Investigation

- i) All Protected Disclosures reported under this Policy will be thoroughly investigated by the Audit Committee who may at its discretion, consider involving any Investigators for the purpose of investigation. The decision to conduct an investigation taken by the Audit Committee is by itself not an accusation and is to be treated as a neutral fact-finding process. The outcome of the investigation may not support the conclusion of the Whistle Blower that an improper or unethical act was committed.
- ii) The identity of a Subject will be kept confidential to the extent possible given the legitimate needs of law and the investigation.
- iii) Subjects will normally be informed of the allegations at the outset of a formal investigation and have opportunities for providing their inputs during the investigation.
- iv) Subjects shall have a duty to co-operate with the Audit Committee or any of the Investigators during investigation to the extent that such co-operation sought does not merely require them to admit guilt.
- v) subjects have a right to consult with a person or persons of their choice, other than the Investigators and/or members of the Audit Committee and/or the Whistle Blower.
- vi) Subjects shall be free at any time to engage counsel at their own cost to represent them in the investigation proceedings but have a responsibility not to interfere with the investigation. Evidence shall not be withheld, destroyed or tampered with, and witnesses shall not be influenced, coached, threatened or intimidated by the Subjects. Unless there are compelling reasons not to do so, Subjects will be given the opportunity to respond to

- material findings contained in an investigation report. No allegation of wrongdoing against a Subject shall be considered as maintainable unless there is good evidence in support of the allegation.
- vii) Subjects have a right to be informed of the outcome of the investigation. If allegations are not sustained, the Subject should be consulted as to whether public disclosure of the investigation results would be in the best interest of the Subject and the Company.
 - viii) The investigation shall be completed normally within 45 days of the receipt of the Protected Disclosure and in any case not to exceed 90 days . In case it could not be completed within the normal time progress report may be shared to the Audit Committee.

8. Protection to whistle blowers

No unfair treatment will be meted out to a Whistle Blower by virtue of his/her having reported a Protected Disclosure under this Policy. Manappuram Finance Company Limited , as a policy, condemns any kind of discrimination, harassment, victimization or any other unfair employment practice being adopted against Whistle Blowers. Complete protection will, therefore, be given to Whistle Blowers against any unfair practice like retaliation, threat or intimidation of termination/suspension of service, disciplinary action, transfer, demotion, refusal of promotion, or the like including any direct or indirect use of authority to obstruct the Whistle Blower's right to continue to perform his duties/functions including making further Protected Disclosure.

The Company will take steps to minimize difficulties, which the Whistle Blower may experience as a result of making the Protected Disclosure. Thus, if the Whistle Blower is required to give evidence in criminal or disciplinary proceedings, the Company will arrange for the Whistle Blower to receive advice about the procedure, etc.

The identity of the Whistle Blower and any other Employee assisting in the said investigation shall be kept confidential to the extent possible and permitted under law. But Whistle Blowers are cautioned that their identity may become known for reasons outside the control of the Audit Committee (e.g. during investigations carried out by Investigators).

9. Investigators

Investigators are required to conduct a process towards fact-finding and analysis.

Investigators shall derive their authority and access rights from the Audit Committee when acting within the course and scope of their investigation.

Technical and other resources may be drawn upon as necessary to augment the investigation.

All Investigators shall be independent and unbiased both in fact and as perceived. Investigators have a duty of fairness, objectivity, thoroughness, ethical behavior, and observance of legal and professional standards.

Investigations will be launched only after a preliminary review which establishes that:

the alleged act constitutes an improper or unethical activity or conduct, and either the allegation is supported by information specific enough to be investigated, or matters that do not meet this standard may be worthy of management review, but investigation itself should not be undertaken as an investigation of an improper or unethical activity.

10. Decision

If an investigation leads the Audit Committee to conclude that an improper or unethical act has been committed, the Audit Committee shall direct the management of the Company to take such disciplinary or corrective action as the Audit Committee deems fit. It is clarified that any disciplinary or corrective action initiated against the Subject as a result of the findings of an investigation pursuant to this Policy shall adhere to the applicable personnel or staff conduct and disciplinary procedures. The decision of the audit committee shall be final in respect of the disclosure.

11. Reporting

The Audit Committee shall submit a report to the management on a regular basis about all Protected Disclosures referred to him/her since the last report together with the results of investigations, if any.

12. Retention of documents

All Protected Disclosures in writing or documented along with the results of investigation relating thereto shall be retained by the Company for a minimum period of seven years.

13. Power of Audit Committee to frame procedures and guidelines.

Subject to the provisions of this policy, the Audit Committee may put in place appropriate procedures and guidelines for implementing all or any of the matters covered in the policy.

14. Amendment

The Company reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification will be binding on the employees unless the same is notified to the employees in an appropriate manner. The above shall form part of the present employment and other personnel policies of the Company.

29. Policy on Board Composition and connected matters

Company has framed a policy for selection of board of directors, remuneration of directors, KMPS and senior management the policy is reproduced below;

MANAPPURAM FINANCE LTD.,

Policy on Board composition, Compensation and connected matters.

(As approved by the board on 3rd February 2015)

We, at Manappuram, believes that the corner stone of best governance practices is the board composition. We also believe that the synergy of versatile individuals with diversified skillsets at the board level has contributed a lot in bringing this company into its present heights. Therefore our commitment to have a competent and highly professional team of board members leads us to put in place a policy on identification and retention of eminent personalities as our Board members. In line with the statutory requirement under sections 149 and 178 of the Companies Act, 2013 read with clause 49 of the Listing agreement with the stock exchanges and the regulatory frame work for Non-Banking Financial Companies (NBFCs) issued by Reserve Bank of India (RBI) the following policies are adopted

for the time being to act as the guiding principles in the appointment of directors and the matters connected therewith.

I) Definitions

Unless the context otherwise requires, the following words and expressions shall have the meaning provided herein

- i. **Act** - means the Companies Act, 2013 including any amendments and reenactments as the case may be from time to time
- ii. **Board**- means the collective body of directors of the Company
- iii. **Clause 49**- means the clause 49 of the listing agreement with stock exchanges relating to the guidelines on Corporate Governance.
- iv. **Committee**- means the committees of directors constituted by the Board
- v. **Director**- means a director appointed on the board of the company
- vi. **Fit and proper**- means the fit and proper criteria prescribed the Reserve Bank of India as an eligibility requirement to be satisfied by an individual to be appointed as a director of the company.
- vii. **Independent director**- means an independent director referred to in sub-section (5) of section 149 of the Companies Act, 2013 or referred to in sub clause (B) of clause 49 (II) of the listing agreement.
- viii. **Nomination Committee**- means the Nomination Compensation and Corporate Governance Committee of the Board.

II) Policy statements

1. Board Diversity

- 1.1 The board of directors of the company should have a fair combination of executive and non-executive directors with not less than 50 percent being non- executive directors.
- 1.2 The company shall maintain the strength of independent directors on its board keeping in mind the regulatory requirements and guide lines on Corporate Governance as per the listing agreement with the stock exchanges issued from time to time. The ratio of independent directors as per the present requirement is one third of the total strength of the board where the board is headed by a non- executive chairman and at least half of the board's strength in case the board is not headed by a regular non-executive chairman.
- 1.3 The Board shall have at least on woman director.
- 1.4 The independent director to be appointed on the board shall not hold directorships in more than 7 listed companies.
- 1.5 The vacancy caused by the demitting of office by an independent director in any manner shall be filled within a period of 3months or before the next board meeting whichever is earlier. However, this requirement will not be applicable in cases where the vacancy will not affect the minimum required strength of independent directors set under this policy or as per the statutory provisions/ regulatory requirements.
- 1.6 The company shall appoint directors keeping in mind an ideal diversity in knowledge or expertise that could add value to the overall performance of the board and of the company. The desired diversity may be fixed by the nomination committee based on the nature of business of the company from time to time. The diversity of the total board may include the following;
Expertise in;

- i. Banking, Finance, Accountancy, Taxation
- ii. Governance, Regulatory background, Law and practice
- iii. Management, Administration (including Civil Service)
- iv. Engineering, Human resource, Subject of social relevance
- v. IT, Marketing

1.7 On selection of an independent director, the Chairman of the Board/ Managing Director shall issue a letter of appointment to the director and he shall also sign a deed of covenants in such format as may be prescribed by RBI.

2. Familiarization & Skill enhancement program for directors

2.1 The Board may on the recommendation of the nomination committee devise a familiarization program for directors so as to give a fair understanding about the company, its business and the general industry environment in which the company and its subsidiaries are operating. This may be arranged by way of interactive sessions with Chairman of the Board, senior directors, Managing Director and other Key management personnel of the company. In addition, board may put in place an induction manual for directors as it may deem fit.

2.2 A newly appointed non- executive directors may be given the opportunity to familiarize with the company.

2.3 In addition to the familiarization program, the board may, if it think so, organize director's skill refreshment programs or workshop on topics relevant to the directors/company or nominate to programs organized by industry associations or professional bodies.

3. Assessment of independence & Fit and proper criteria.

3.1 While considering the appointment of an independent director, the nomination committee and the board shall ensure that the incumbent satisfies the test of independence as provided under the Companies Act and clause 49 of the listing agreement. The board shall on a continuous basis ensure that the independent directors continue to maintain their independence during their tenure on the board.

3.2 To achieve the above objectives, the board may obtain proper declarations from the appointee/ directors at the time of appointment and at such intervals as the board may deem fit.

3.3 In case of appointment of executive directors, non-executive directors or independent directors, the nomination committee and the board shall ensure that they meet the fit and proper criteria prescribed by the Reserve Bank of India from time to time and maintains the position during their tenure in office. The company shall obtain the declarations in the manner prescribed by RBI as applicable to the company from time to time from all appointees and review the same.

4. Age and tenure of independent and non-executive directors.

4.1 The independent directors appointed in the company will have a tenure of 5 years. They can be re-appointed for another term of 5 years in compliance with the applicable provisions of the Companies Act,

4.2 The company shall select only persons in the age group between 30 and 70 years for appointments to the position of non-executive directors.

5. Review of performance of independent directors

- 5.1 The nomination committee and the board shall put in place a mechanism for the review of performance of each independent director and other non-executive directors.
- 5.2 The review of performance shall be undertaken once in a financial year preferably before the next Annual General Meeting.
- 5.3 Based on the review of performance, the board may recommend for the continuance, re-appointment or removal of directors.

6. Compensation of Executive and Non- executive directors.

- 6.1 On the recommendation of the Nomination Committee, the board will fix the remuneration of non-executive directors (including independent directors)
- 6.2 The non- executive directors other than nominee directors shall be entitled for sitting fees for attending board/ committee meetings at such rate as may be approved by the board from time to time.
- 6.3 In addition to the sitting fees, the company will bear or reimburse the normal travelling, boarding and lodging expenses of directors incurred for the purpose of attending board/ committee meetings or for attending any other duties on behalf of the company.
- 6.4 Subject to the compliance with the provisions of Companies Act, 2013, the board may on the recommendation of the nomination committee after taking into account the profitability of the company for each financial year approve the payment of an annual commission payable to each non-executive(other than nominee directors) / independent directors of the company for each financial year or part thereof.
- 6.5 Where a director has left the company before the completion of a financial year or before approving the payment of commission by the board, the board may in its absolute discretion sanction such amount as commission to such director for his services during the period for which the commission was fixed.
- 6.6 Remuneration of executive directors shall be fixed by the Board on the basis of recommendation of the nomination committee. The remuneration of the executive directors shall be a combination of fixed monthly salary in terms of their appointment as approved by the board/ shareholders and a performance based annual commission to be decided by the board on the recommendation of the nomination committee.
- 6.7 The performance parameters to be applicable to the executive directors, the minimum and maximum amount of commission payable in line with the achievement of various targets/ parameters will be decided by the nomination committee from time to time.

7. Succession planning for appointment to board and senior management positions.

- 7.1 The board may identify suitable persons to be appointed to the board positions for filling up vacancies.
- 7.2 The vacancies caused by the exit of an independent director may be filled by the appointment of an independent director. However, if the vacancy does not affect the strength of minimum required independent directors, the board may fill the vacancy as it may deem fit.
- 7.3 Suitable candidates may be identified by the directors from reputable references or from data banks maintained by industry associations, professional bodies or non-governmental organizations or by inviting applications through any media.

7.4 Vacancies in senior positions in the company may be filled by a system of promotion of existing employees based on appropriate screening procedures set by the nomination committee from time to time.

7.5 Company may identify critical positions and shall devise a system of proper mentoring to identify officers of the company to take up the senior positions wherever a vacancy is caused to ensure the business continuity in the best interest of the company.

8. Compensation plan for Key Management personnel (KMPS) and other senior management team members

8.1 The compensation structure of KMPs and senior team members shall consists of fixed salary components(including variable dearness allowances) at par with the industrial standards and a performance linked incentive/ bonus payment to be approved by the nomination committee.

8.2 The compensations structure shall be devised in a manner that will help the company to attract and retain top talents to run the company efficiently with a long term perspective.

8.3 The compensation structure may also include stock options targeting employee participation in ownership of the company and to ensure the retention of potential talents for the future growth and diversity of the company.

III) Applicability of Laws/ regulations/ guidelines

Change in underlying laws/ regulations or guidelines may supersede the provisions of this policy. At any time if there is any amendment to the applicable laws or regulations or guidelines affecting the provisions of this policy, the policy shall be deemed as amended to the extend applicable and the amended provisions will take effect from the date of Change in the underlying laws/ regulations or guidelines.

IV) Applicability of the policy

The policy shall become effective from the date on which it is approved by the board.

V) Amendment to the policy.

The provisions of this policy may be amended by the board at any time on the recommendation of the nomination committee.

30.Regulatory frame work on related party transactions and the related party policy of the company.

Related party transactions are always a sensitive item and the audit committee and board has substantial responsibility in dealing with such transactions. The company has framed a material related party policy in line with the Listing agreement. Since the regulatory frame work relating to this point is important from a board perspective, the policy and the regulatory requirements are codified and given below.

REGULATORY FRAMEWORK IN RESPECT OF RELATED PARTY TRANSACTIONS.

Regulatory back ground.

Majority of the provisions of the Companies Act, 2013 have been notified on 12th September 2013. There are sweeping changes in the provisions relating to approvals and manner of dealings with related parties. However, the provisions are made more industrial friendly since the role of Central Govt. in approving related party transactions have dispensed with and left to the choice of the board and the shareholders of corporates.

Provisions relating to related party transactions are contained in the Companies Act, 2013 read with the Rules made there under and in case of listed companies, SEBI has prescribed a regulatory framework for such transactions by an amendment to the listing agreement in clause 49 dealing with the matters relating to corporate governance. Even though, the regulations put out by SEBI is applicable to the company as it is a listed entity, the regulatory frame work under the Companies Act, 2013 read with the rules and the listing agreements are re produced for understanding and considered decisions.

1) Companies Act,2013 and Companies (Meetings of Board and its Powers) Rules,2014

The position with reference to the related party transactions under the Companies Act, 2013 is as follows;

i. "Section 188 (1) Except with the consent of the Board of Directors given by a **resolution at a meeting of the Board** and subject to such conditions as may be prescribed no company shall enter into any contract or arrangements with a related party with respect to

- (a) Sale, purchase or supply of any goods or materials;
- (b) Selling or otherwise disposing of or buying, property of any kind;
- (c) Leasing of property of any kind
- (d) Availing or rendering of any services
- (e) Appointment of any agent for purchase or sale of goods, materials, services or property.
- (f) Such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company and
- (g) Underwriting the subscription of any securities or derivatives thereof, of the company.

Provided that no contract or arrangement, in the case of a company having a paid-up share capital or not less than such amount or transactions exceeding such sums, as may be prescribed, shall be entered into except with the prior approval of the Company by a special resolution.

Provided further that no member of the company shall vote on such special resolution, to approve any contract or arrangement which may be entered into by the company if such member is a related party.

Provided also that nothing in this sub-section shall apply to any transactions entered **into by the company in its ordinary course of business** other than transactions which are not on an **arm's length** basis.

'Arm's length' transaction means transactions between two related parties that is conducted as if they were un related, so that there is no conflict of interest.

1Ordinary course of business.

1 As defined in Wikipedia

In law, the ordinary course of business covers the usual transactions, customs and practices of a certain business and of a certain firm. This term is used particularly to judge the validity of certain transactions.

ii. Matters requiring approval from share holders .

As per the first proviso of the above section the following related party transactions require prior approval of shareholders they are;

(3) For the purposes of first proviso to sub-section (1) of section 188, except with the prior approval of the company by a special resolution a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into,-

(a) a company shall not enter into a transaction or transactions, where the transaction or transactions to be entered into –

(i) sale, purchase or supply of any goods or materials directly or through appointment of agents exceeding ten percent of the turnover of the company or rupees one hundred crore, whichever is lower, as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;

(ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents exceeding ten percent. of net worth of the company or rupees one hundred crore whichever is lower, as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind exceeding ten percent. of the net worth of the company or exceeding ten percent. of turnover of the company or rupees one hundred crore whichever is lower as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services directly or through appointment of agents exceeding ten percent. of the turnover of the company or rupees fifty crore, whichever is lower as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;

Explanation- it is hereby clarified that the limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or

(c) remuneration for underwriting the subscription of any securities or derivatives thereof of the company exceeding one percent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation.- (1) The Turnover or Net Worth referred in the above sub-rules shall be on the basis of the Audited Financial Statement of the preceding Financial year.

(2) In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

iii. Who are related parties

Section 2 (76) defines the term related parties for the purpose of the Companies Act, 2013.

Related party, with reference to a company, means-

i) A director or his relative;

ii) A key managerial personnel or his relative;

iii) A firm in which a director, manager or his relative is a partner;

iv) A private company in which a director or manager is a member or director ;

v) A public company in which a director or manager is a director or holds along with his relatives, more than two percent of its paid up share capital

vi) Any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instruction of a director or manager;

vii) Any person on whose advice, direction or instructions a director or manager is accustomed to act

Provided that nothing in sub clauses (vi) and (vii) shall apply to the advice, directions or instructions give in a professional capacity;

viii) Any company which is

A) A holding , subsidiary or an associate company of such company

B) A subsidiary of a holding company to which it is also a subsidiary

ix) Such other person as may be prescribed.

iv. Definition of relative

For the purpose of Companies Act,2013 section 2(77) defines the term relatives as;

With reference to any person relative means anyone who is related to another, if

i) They are members of a Hindu undivided family;

ii) They are husband and wife; or

iii) One person is related to the other in such manner as may be prescribed.

For the purpose of sub clause III, a person shall be deemed to be relative of another, if he or she is related to another in the following manner, namely;-

1) Father including step- father

2) Mother including step- mother

3) Son including step -son

4) Son's wife

5) Daughter

6) Daughter's husband

7) Brother including step -brother

8) Sister including step- sister.

2) Requirement under clause 49 of the Listing Agreement.

Related Party Transactions

A. A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

"B. For the purpose of Clause 49(VII) an entity shall be considered as related to the company if:

i) such entity is a related party under section 2(76) of the Companies Act,2013 or;

ii) such entity is a related party under the applicable accounting standards."

C. The company shall formulate a policy on materiality of related party transactions and also on dealing with Related Party Transactions.

Provided that a transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

D. All Related Party Transactions shall require prior approval of the Audit Committee. However, the Audit Committee may grant omnibus approval for Related Party Transactions proposed to be entered into by the company subject to the following conditions;

a. The Audit Committee shall lay down the criteria for granting the omnibus approval in line with the policy on Related Party Transactions of the company and such approval shall be applicable in respect of transactions which are repetitive in nature.

b. The Audit Committee shall satisfy itself the need for such omnibus approval and that such approval is in the interest of the company;

c. Such omnibus approval shall specify (i) the name/s of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into, (ii) the indicative base price / current contracted price and the formula for variation in the price if any and (iii) such other conditions as the Audit Committee may deem fit

Provided that where the need for Related Party Transaction cannot be foreseen and aforesaid details are not available, Audit Committee may grant omnibus approval for such transactions subject to their value not exceeding Rs.1 crore per transaction.

d. Audit Committee shall review, at least on a quarterly basis, the details of

RPTs entered into by the company pursuant to each of the omnibus approval given.

e. Such omnibus approvals shall be valid for a period not exceeding one year and shall require fresh approvals after the expiry of one year.

E. All material Related Party Transactions shall require approval of the shareholders through special resolution and the related parties shall abstain from voting on such resolutions.

Provided that sub-clause 49 (VII)(D) and (E) shall not be applicable in the following cases:

(i) Transactions entered into between two government companies;

(ii) transactions entered into between a holding company and its wholly owned Subsidiary whose accounts are consolidated with such holding company and placed Before the shareholders at the general meeting for approval.

Explanation(i):For the purpose of Clause 49(VII), "Government company" shall have the same meaning as defined in Section 2(45) of the Companies Act, 2013."

Explanation(ii):For the purpose of Clause 49(VII), all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not."

VIII. Disclosures

A. Related Party Transactions

1. Details of all material transactions with related parties shall be disclosed quarterly along with the compliance report on corporate governance.

2. The company shall disclose the policy on dealing with Related Party Transactions on its website and a web link thereto shall be provided in the Annual Report."

MANAPPURAM FINANCE LTD.,

POLICY ON MATERIALITY OF RELATED PARTY AND MANNER OF DEALING WITH RELATED PARTY TRANSACTIONS. (As approved by the Board on 30-10-2014)

We, at Manappuram Finance Ltd., putting our best efforts consistently to improve our corporate philosophy and governance practices not only to meet the statutory or regulatory requirement but also to work as guide in its day to day operations and management at appropriate levels. As part of its endeavor to bring in more transparency in management and operation, and in line with part VII & VIII of clause 49 of the Listing Agreement entered by the Company with the Stock exchanges (as amended by SEBI and notified on 15th September 2014,) we put in place the following policies and procedures for dealing with related party transactions to ensure that such transactions are entered with appropriate sanctions and protect the interest of all stake holders of the company.

1. **Title and commencement:-** this policy will be known as the **Related party Policy of Manappuram Finance Ltd.,2014.** and will be effective from the date as may be specified by the Board.

2. **Important definitions**

'Audit Committee' or the 'Committee' means the committee of the Board of Directors of the company constituted under the Companies Act,2013 or its earlier enactment and the Listing Agreement with the Stock exchange.

Board means Board of Directors of the Company.

Key managerial personnel means;

- i. Managing Director & Chief Executive Officer, Executive Directors and Directors in the whole time employment of the company
- ii. Chief Financial Officer
- iii. Company Secretary.
- iv. And any other person as may be prescribed by the Central Government and to be applicable to the company.

Material related Party transactions means;

A transaction with a related party shall be considered material if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds ten percent of the annual consolidated turnover of the company as per the last audited financial statements of the company.

Related party;-

Related party, with reference to a company, means-

- i) A director or his relative;
- ii) A key managerial personnel or his relative;
- iii) A firm in which a director, manager or his relative is a partner;
- iv) A private company in which a director or manager is a member or director ;
- v) A public company in which a director or manager is a director or holds along with his relatives, more than two percent of its paid up share capital
- vi) Any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instruction of a director or manager;

- vii) Any person on whose advice, direction or instructions a director or manager is accustomed to act
Provided that nothing in sub clauses (vi) and (vii) shall apply to the advice, directions or instructions give in a professional capacity;
- viii) Any company which is
 - A) A holding , subsidiary or an associate company of such company
 - B) A subsidiary of a holding company to which it is also a subsidiary
- ix) And such other entity which is a related party as provided under the applicable accounting standards

Related party transactions means;

A related party transaction is a transfer of resources, services or obligations between a company and a related party, regardless of whether a price is charged.

3. Policy

All Related Party Transactions must be reported to the Audit Committee and referred for review and recommendation by the Committee to the Board for its approval in accordance with this Policy.

4. Identification of Potential Related Party Transactions

Each director and Key Managerial Personnel is responsible for providing notice to the Board or Audit Committee of any potential Related Party Transaction involving him or her or his or her Relative, including any additional information about the transaction that the Board/Audit Committee may reasonably request. Board/Audit Committee will determine whether the transaction does, in fact, constitute a Related Party Transaction requiring compliance with this policy.

The Company strongly prefers to receive such notice of any potential Related Party Transaction well in advance so that the Audit Committee/Board has adequate time to obtain and review information about the proposed transaction.

5.Manner of dealing with related party transactions.

- i. Company will entertain only such transactions which are in the interest or beneficial to the company and are at arm's length.
- ii. All the related party transactions other than the remuneration/ compensation to any director or key managerial personnel in connection with the discharge of his or her duties in the company, its holding, subsidiary or associate company including the re-imbusement of reasonable expense towards travel, boarding and lodging, other perquisites or benefits as per the terms of employment or contract of service or as per the tradition or practice or pursuant to any provision of any statue and shall require the prior approval of the board after the review and recommendation by the audit committee.
- iii. The approval of the Board for a transaction shall be by means of a resolution passed at its meeting.

6. Manner of dealing with material related party transactions

- i. Company may enter into any material related party transactions as defined in this policy only with the prior approval of the shareholders by way of a resolution passed either at a meeting of the shareholders or by way of a postal ballot in accordance with the applicable provisions of the Companies Act, the Rules made there under or any regulations /guideline issued by SEBI in this behalf.
- ii. Any proposal for a material related party transaction shall be reviewed by the audit committee and recommend to the board before putting it up to the shareholders for approval.
- iii. The related party shall not cast votes on the resolution in which he is interested.

7. Independent directors and related party transactions.

A person shall not be considered for the purpose of appointment or continuing as an independent director of the company if he has or had material pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors during the two immediately preceding financial years or during the current financial year apart from receiving directors remuneration.

8. Non material transactions and pecuniary relationships

- i. For the purpose of this policy, directors, including independent directors and key managerial personnel may enter into transactions with the company in the ordinary course of its business at arm's length prices where such transactions does not involve a consideration or commercial value exceeding Rs.10. million in the aggregate during a financial year. However, they shall not enter into any negotiated transactions, contracts or other arrangements with the company without complying with the other provisions of this policy.
- ii. Any transaction in which the Related Party's interest arises solely from ownership of securities issued by the Company and all holders of such securities receives the same benefits pro rata as the Related Party.

9. Subsidiary companies

- i. All related party transactions with the subsidiaries require the prior approval of the audit committee and the board.
- ii. The company may enter into a transaction with its wholly owned subsidiaries or subsidiaries with substantial shareholding if they are urgent in nature and have to be undertaken in between two scheduled board /audit committee meetings and in such case the same shall be presented to the next board / committee meetings with all relevant particulars for necessary ratifications.

9. Review and Approval of Related Party Transactions

Related Party Transactions will be referred to the next regularly scheduled meeting of Audit Committee for review and recommend for the approval of the Board. Any member of the Committee who has a potential interest in any Related Party Transaction will recuse himself or herself and abstain from discussion and voting on the approval of the Related Party Transaction.

The Committee shall be provided with all relevant material information of the Related Party Transaction, including the terms of the transaction, the business purpose of the transaction, the benefits to the Company and to the Related Party, and any other relevant matters. In addition while reviewing the transactions, the committee shall be entitled to call for additional information or opinions of expertise

at the cost of the company and also to demand for the attendance of any officer or other employee of the company. In determining whether to approve a Related Party Transaction, the Committee will consider the following factors, among others, to the extent relevant to the Related Party Transaction:

- Whether the terms of the Related Party Transaction are fair and on arm's length basis to the Company and would apply on the same basis if the transaction did not involve a Related Party;
- Assessing the business reasons for the Company to enter into the Related Party Transaction and the nature or availability of alternative transactions, if any;
- Whether the Related Party Transaction would affect the independence of an independent director;
- Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction;
- Whether the Company was notified about the Related Party Transaction before its commencement and if not, why pre-approval was not sought and whether subsequent ratification is allowed and would be detrimental to the Company; and
- Whether the Related Party Transaction would present an improper conflict of interest for any director or Key Managerial Personnel of the Company, taking into account the size of the transaction, the overall financial position of the director, Executive Officer or other Related Party, the direct or indirect nature of the director's, Key Managerial Personnel's or other Related Party's interest in the transaction and the ongoing nature of any proposed relationship and any other factors the Board/Committee deems relevant.

Depending on the recommendation/ views of the committee or otherwise, the board of the company may take into account all any of the above mentioned factors while considering a related party transaction.

10. Manner of dealing with escaped transactions.

Where the company becomes aware of a Related Party Transaction with a Related Party that has not been approved under this Policy prior to its consummation, the matter shall be reviewed by the Committee. The Committee shall consider all of the relevant facts and circumstances regarding the Related Party Transaction, and shall evaluate all options available to the Company, including ratification, revision or termination of the Related Party Transaction. The Committee shall also examine the facts and circumstances pertaining to the failure of reporting such Related Party Transaction to the Committee under this Policy, and shall take any such action it deems appropriate or submit their recommendation to the Board.

11. Disclosures.

All the related party transactions shall be disclosed in the annual report of the company as required under the applicable laws and regulations or accounting standards.

12. Amendment to the policy

The Board of directors may on the recommendation of the Audit Committee can amend the policy as and when required.

13. Communication of the policy

This Policy will be published on the website of the company and a link will be provided in the annual report of the company the publication on the web site will constitute a notice to all to whom it is applicable.

14. Effective date and applicability

The policy shall be effective from the date of approval of the policy by the board and shall be applicable to all related party transactions from 1st of October 2014.

31.CSR policy

As required under the Companies Act, the company has framed a Corporate Social responsibility policy. This policy deals with the programs and projects the company plans to undertake as part of its social responsibility and other connected matters. The company also has a CSR committee which over see the implementation of this policy. The policy as it stands today is re-produced below;

CSR POLICY OF MANAPPURAM FINANCE LTD.,

(As approved by the board on 25th July 2014)

Preamble

We, at Manappuram Finance Ltd., believe that our business is built around strong social relevance of inclusive growth by supporting the common man in meeting their financial needs. We equally believe that creation of large societal capital is as important as wealth creation for our share holders. As a responsible human organization, we are committed towards the above objective and are keen on developing a sustainable business model to ensure and activate our future growth drivers. We have been contributing to the societal wealth creation for the last several years irrespective of any regulatory compulsions as a realization of our above belief. In line with the regulatory expectations, we are putting in place a formal policy as a guide towards our social commitment going forward.

Key words & meanings

Act- means the Companies Act, 2013 as amended from time to time

CSR- mean Corporate Social Responsibility

CSR Policy – means the policy approved by the board as the Corporate Social Responsibility policy of the company as amended from time to time.

CSR Rules or Rules – means Companies (Corporate Social Responsibility Policy) Rules 2014

Policy Objectives

The objective of the CSR Policy (“Policy”) is to lay down the guiding principles in undertaking various programs and projects by or on behalf of the company relating to Corporate Social Responsibility (“CSR”) within the meaning of section 135 of the Companies Act,2013 read with Schedule VII of the Act and the CSR Policy Rules 2014.(“Rules”)

Applicability;

The policy shall be applicable to all CSR activities of the company whether carried by it or through any implementation agency with effect from 26th July 2014

CSR Committee

CSR Committee means the committee of the board constituted in terms of Section 135 of the Companies Act, 2013 read with Rule 5 of the rules.

Role of the Committee include:-

- i) Draft the CSR policy and recommend the same to the Board for approval.
- ii) Review and recommend any new CSR initiatives to be taken up by the company including the selection/appointment of implementation agencies.
- iii) Review the progress of CSR projects already undertaken by the company and the utilization of budgets for each such projects
- iv) Review and recommend the CSR report to be included in the board's report.
- v) Review and recommend any amendments to be made in the CSR policy of the Company.
- vi) To carry such other functions as may be delegated to it by the board relating to CSR activities of the company.

CSR Activities ;

As part of the CSR program, the company is presently engaged in several projects which are socially relevant and demanding in the locality surrounding its corporate office area and other locations where the company has branches or other place of business. The company may continue to undertake / fund project, programs or activities of the following nature and also undertake such other activities as may be approved by the board as is falling under schedule VII of the Act 2013.

i. Promotion of Health care

The company may undertake projects or programs or activities aimed at improving the health and hygiene of the socially or economically weaker sections, families in the below poverty line (BPL) by providing free or subsidized medicine, clinical laboratory facilities, free or concessional treatments at hospitals, provide medical equipment, setting up of medical and diagnostic camps, free medical insurance for a group of people or families in the BPL category, projects or programs aimed at eradicating poverty or malnutrition of women and children, pain and palliative care etc.

ii. Old Age homes /Day Care facilities for senior Citizens

Company may undertake projects or programs or activities for the protection of elderly citizens by establishing, funding or otherwise supporting old age homes and day care facilities including medical aid, food and accommodation.

iii. Promotion of Education

Company may undertake projects or programs or activities aimed at the promotion of elementary to professional education and to support the students belonging to weaker sections of the society including SC/ST/OBCs by way of setting up schools, colleges, coaching centers, providing libraries, text books and other study materials, vocational training centers and centers for physically challenged students, providing endowments or other forms of recognitions to successful candidates pursuing recognized examinations, scholarships or other forms of merit cum means assistance etc.

iv. Empowerment of women

Company may take up and carry on projects, programs or activities aimed at women empowerment and gender equality. The objective may be achieved through supporting women belonging to socially or financially weaker sections of the society by providing job oriented training programs with an objective of making them financially independent.

Further, the company may take up all or any projects, programs or activities falling under any of the activities in the following fields as approved by the board on the recommendation of the CSR committee.

- i. Ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro forestry, conservation of natural resources and maintaining quality of soil, air and water;
- ii. Protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- iii. Measures for the benefit of armed forces veterans, war widows and their dependents;
- iv. Training to promote rural sports, nationally recognized sports, Paralympics sports and Olympic sport;
- v. Contribution to Prime Minister's National Relief Fund or any other fund set up by the Central Government for Socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.
- vi. Contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government.
- vii. Rural development projects.

Effects of interpretations/clarifications and amendments on projects/ programs /activities

The objective of the policy is to act as a guideline for the company in its endeavor to undertake socially relevant activities that will result in the overall objective of the company to create societal capital/assets for the common good and the list of activities shall be interpreted in a manner that will advance the objective. The policy shall be deemed to have amended or modified to the extent of any modification/ amendments or clarifications issued by the Central Government from time to time in relation to the CSR obligations of companies and shall be interpreted accordingly.

Execution of projects/programs

The company may undertake one or more projects or programs or activities provided in the policy either as its own or through any implementation agency. It shall be the endeavor of the company to build up necessary capabilities to implement the CSR projects on its own in the long run. It can also acquire the services of experts in respective fields by appointing them as consultants in a particular program or project. Where implementation agencies are appointed for a particular project, the company shall acquire the necessary skills to run the program on its own within 3-5 years from its implementation where it is a continuing program. While engaging a third party agency for implementing a project or program covered in the CSR policy, the CSR committee shall ensure that they have credible standing and experience in the respective fields for at least three preceding financial years.

CSR Activities in Partnership

The company may undertake programs in collaboration with other companies only in cases where such programs are separately reportable in the CSR report of participating companies.

Monitoring of CSR Activities

CSR committee of the company will be responsible for the monitoring of various CSR projects or programs undertaken by the company directly or indirectly. The committee shall ensure that;

- i. Company undertakes the CSR activities as provided in the CSR policy
- ii. The projects/ programs are implemented as per the program approved by the board
- iii. The budget allocated for each of the project is utilized for the projects as per the approved plans.
- iv. The objective of the project/program is achieved as per the plans
- v. Wherever projects/programs are undertaken in partnership with one or more organizations, the part of the project or program undertaken by the company shall be distinguishable and necessary supporting documents in respect of the same shall be obtained from the other partners/implementing agency on an annual basis.

Company shall provide necessary resources and human capital for implementation and the effective monitoring of the CSR projects and programs as may be directed by the CSR committee. The services of any external agencies or persons who have experience in the same or similar projects or programs undertaken or proposed to be undertaken by the company may also be made available for successful implementation and monitoring of the project.

Surplus arising out of CSR

Surplus arising out of any CSR project or program or activities shall not form part of the business profit of the company.

Amendment of policy

The CSR policy of the company may be amended at any time by the board of the company on the recommendation of the CSR committee.

Reporting

On approval of the CSR policy or any amendments thereof, the contents of the policy shall be included in the Boards' report and the same shall be displayed on the web site of the company.

At the end of each financial year, the CSR committee shall prepare a report of the CSR program in the prescribed form relating to the financial year and submit to the board for its inclusion in the Board's report.

32.Board committees and its terms of reference

In line with the statutory guidelines the company has constituted different committees of the Board. In addition the board has also constituted a committee to deal with the matters relating to the day to day management including borrowing arrangements and to facilitate transfer and transmission of securities. Listed below are the committees as of now existing and the terms of reference of important committees are also given

Audit Committee & its members

1. Mr.P.Manomohanan : Chairman
2. Mr.E.A Kshirsagar : Member
3. Mr.Shailesh J Mehta : Member
4. Mr.V.R Rajiven : Member

Nomination compensation & Corporate Governance committee members

1. Mr. Shailesh Mehta : Chairman
2. Mr. Jagdish Capoor : Member
3. Mr. Rajiven.V.R : Member
4. Mr.E.A.Kshirsagar : Member

Stakeholders Relationship committee members

1. Adv.V.R.Ramachandran : Chairman
2. Mr.V.R.Rajiven : Member
3. Mr.P. Manomohanan : Member

CSR Committee members

1. Mr. Rajiven.V.R : Chairman
2. Mr.V.P.Nandakumar : Member
3. Adv.V.R.Ramachandran : Member

RISK Management committee members

1. Mr. Manomohanan : Chairman
2. Mr.E.A.Kshirsagar : Member
3. Mr.Rajiven V.R. : Member
4. Mr.V.P.Nandakumar : Member
5. Mr.I Unnikrishnan : Member
6. Mr.Shailesh J Mehta : Member
7. Head of Risk & Compliance : Permanent Invitee

Financial Resources and Management Committee Members

1. Mr.V.P.Nandakumar : Chairman
2. Mr.I.Unnikrishnan : Member
3. Mr.B.N.Raveendra Babu : Member

Securities Transfer Committee Members

1. Mr.V.P.Nandakumar : Chairman
2. Mr.B.N.Raveendra Babu : Member
3. Company Secretary : Member

TERMS OF REFERENCE OF AUDIT COMMITTEE:

(As approved by Board on 25th July'2014)

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommending to the Board the appointment, reappointment, and if required, the replacement or removal of the statutory auditor and the fixation of audit fee.
3. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
4. Reviewing with management the annual financial statements before submission to the Board for approval with particular reference to:
 - a. Matters required to be included in the Directors Responsibility Statement to be included in the board's report in terms of clause(C) of Sub-section 3 of section 134 of the Companies Act 2013.
 - b. Changes if any in accounting policies and practices and reasons for the same.
 - c. Major accounting entries involving estimates based on the exercise of judgment by management.
 - d. Significant adjustment made in the financial statement arising out of audit findings.
 - e. Compliance with listing and other legal requirements relating to the financial statements.
 - f. Disclosure of any related party transactions.
 - g. Qualifications in the draft audit report.
5. Reviewing with the management the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilisation of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter;
7. Review and monitor the auditor's independence and performance, and effectiveness of audit process;
8. Approval or any subsequent modification of transactions of the company with related parties;
9. Scrutiny of inter-corporate loans and investments;
10. Valuation of undertakings or assets of the company, wherever it is necessary;

TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE OF
MANAPPURAM FINANCE LIMITED

The following sets out the terms of reference of the Nomination Committee of the company, Manappuram Finance Ltd., as approved by the Board of Directors in their meeting held on (7th February 2014)

A. Title of the Committee:

The committee will be called as the **Nomination, Compensation and Corporate Governance Committee** of the Board of Manappuram Finance Ltd.,(hereafter referred to as 'committee')

B. Present members of the Committee

1. Mr.Shailesh J Mehta : Chairman
(Independent Director)
2. Mr.Jagdish Capoor : Member
(Independent Chairman of the Board)
3. Mr.E.A.Kshirsagar : Member
(Nominee Director)
4. Mr.V.R.Rajiven : Member
(Independent Director)

The Board may from time to time add members to the committee or remove any member as it may deem fit, keeping in mind the regulatory requirements and the governance policies adopted by the company.

C. Chairman of the Committee

Unless the Board specifically appoint a chairman for the Committee, the committee may elect one among them as the Chairman of the committee, who shall be an independent director.

D. Secretary

Company Secretary of the company shall be the Secretary of the Committee

E. Role and Responsibilities

Considering the statutory provisions under Section 178 of the Companies Act,2013 , provisions of Clause 49 of the Listing Agreement with stock exchange and the guidelines issued by the Reserve Bank of India on Corporate Governance of NBFCs, the role and responsibilities of the committee can be classified into three broader categories such as;

- I. Of nomination
- II. Of fixation of remuneration and performance evaluation
- III. Of Governance.

The committee shall effectively discharge its roles and responsibilities in the following manner.

I. Role of Nomination

- a) The Committee shall put in place a broader policy describing the qualification, experience and other positive attributes for selection of Executive/whole time directors including their age of retirement.
- b) The committee shall formulate and put in place guiding principles to determine the qualities, qualifications, and the parameters to determine the 'fit and proper' criteria for appointment of independent Directors keeping in mind the diversity quotient the company's board shall maintain from time to time and subject to the applicable regulatory requirements.
- c) Filling in a timely manner vacancies on the board of the company including the position of executive/whole time directors.
- d) Selection of directors, key management personnel and persons to be appointed in senior management positions as defined by the board and recommend to the board for their appointment and removal thereof.

II. Role of Fixing Remuneration and Evaluation of performance.

- a. The committee shall formulate and recommend to the Board for its approval a policy relating to the remuneration for the directors, key managerial personnel and other employees from time to time.
- b. The policy as aforesaid shall be formulated to ensure that-
 - 1. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - 2. relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - 3. remuneration to directors, key managerial personnel and senior management 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;
- c. The committee shall review the performance of individual directors of the company on a yearly basis at the end of each financial year or at such periodicity as the committee deem fit and recommend to the board on the basis of such review, whether a director to be recommended for re-appointment or not.
- d. The committee shall review the performance of the Executive/Whole time Directors of the company and fix suitable compensation packages in consideration of their performance, contributions, the general business environment in which the company operates and financial position of the company. The remuneration package may be a combination of fixed and performance based bonus/incentives for the period under review. The list of such Directors are provided in **Schedule A**
- e. The committee shall along with the management review the performance of Key managerial personnel and senior management persons as provide in **Schedule B & C** on a periodical basis and fix their remuneration packages in accordance with the policies approved by the Board. The period of gap between two such reviews shall not elapse fifteen months.

III. Role on ensuring Compliance on governance standards.

- a. The committee shall ensure that at all times, the board of the company has a fair combination of independent, nonexecutive and executive directors meeting the governance standards set by the board and in compliance with regulatory requirements, listing agreements .etc. prevailing from time to time.
- b. Ensure that the organization structure and flow of command meets the governance standard set for the internal management of the company.
- c. The committee may evaluate and put in place proper mechanism for refreshment trainings for directors on relevant subject.
- d. The committee shall evaluate and put in place a proper mechanism to ensure that the independence of independent directors are always maintained and to ensure that there are no situations which suggest the existence of circumstances resulting in the loss of independence of any directors of the company.
- e. The committee shall put in place subject to the provisions of applicable laws, policies and procedure for determining the retirement and re-appointment of independent and other directors on the board of the company.
- f. Committee shall ensure that at all times the sub committees of the Board is functioning and are constituted according to the regulatory requirement and governance policies of the company.
- g. The committee shall oversee the overall governance standards and policies of the company and delegation of authorities to match with the best practices in relation to the size of the company and the level of its operations to protect the interest of all stake holders.

F. Other Powers.

In addition to what is stated above, the Committee shall discharge such other functions as may be delegated to it by the Board or prescribed under any law, rules, regulations or orders or directions of any statutory or regulatory body including stoke exchanges where the securities of the company are listed.

G. Schedule of Meeting

The committee may meet as and when necessary to dispatch the business under consideration. Minimum of one such meeting shall be held in each financial year for review of performance of directors, key managerial personnel and senior management persons.

The Secretary shall in consultation with the chairman of the committee convene the meeting and give notice to all the members at least 7 days in advance of the meeting.

H. Quorum of Meeting.

The majority of the members or two members, whichever is less, shall form a quorum for the meeting.

I. Agenda of meeting.

The secretary shall circulate an agenda of meeting with the supporting papers as approved by the chairman to all the members of the committee sufficiently in advance of the meeting to enable the members to prepare themselves for healthy discussions and decision making at the meeting.

J. Minutes of the meeting.

The Secretary shall maintain the minute of the meeting. Subject to the applicable provisions of law, the minute of a meeting shall be prepared within 30 days of the meeting and submitted to the chairman for his review and the minute so reviewed shall be circulated among the members electronically. Members shall communicate their suggestion / approval if any to the Secretary or chairman. After considering the suggestions, if any, of the members, chairman may approve the same. The minute so approved shall be submitted to the Board for noting and recording

K. Modification of the Terms of reference of the Committee.

The Board may at any time, by its own or on a recommendation of the committee, modify the terms of reference of the committee as it may consider necessary.

Schedules referred to in the Terms of reference

Executive Directors and Key Managerial personnel

Schedule A- Executive Directors

Under the Present Management Structure the following are the positions of Executive Directors

1. Managing Director and Chief Executive Officer,
2. Executive Director & Dy. Chief Executive Officer
3. Executive Director

Schedule-B- Key Managerial personnel

Section – 2(51) of the Companies Act,2013 defines the key managerial personnel in relation to a company as follows

- i. The Chief Executive Officer or the Managing Director or the manager,***
- ii. The Company Secretary***
- iii. The Whole Time Director***
- iv. The Chief Financial Officer, and***
- v. Such other officer as may be prescribed.***

In relation to the company, key managerial personnel includes the following positions in addition to the Executive Directors mentioned in **Schedule A-above**.

- i. Chief Financial Officer

- ii. Company Secretary

Schedule –C- Senior Management personnel

For the purpose of Nomination and Remuneration Committee, Section 178 of the Act defines Senior Management as follows;

Senior management for the purpose of this section means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

As per the above definition and the present organization structure, the following positions in the company shall be of senior management other than the key management personnel for the purpose of the committee

- i. Executive vice President,
- ii. Chief General Manager
- iii. Senior General Managers
- iv. Sr. Vice presidents
- v. General Managers and Vice presidents who are functional heads and reporting Directly to Executive Directors.

32. Annexure-1

Declaration of Share holding more than 2 %

I,(Name) ,Director of Manappuram Finance Ltd, hereby declare that I do not hold 2% or more shareholding of any body corporate other than as mentioned below.

Name of the Company	Nature of Interest	Shareholding

Signature:

Name

Date:

Declaration

I,, resident of appointed as.....Director of Manappuram Finance Ltd, Manappuram House, Valapad, Thrissur hereby declare the following;

- a) Non involvement in any criminal case including under section 138(1) of Negotiable Instrument Act,1881.
- b) Non –association with unincorporated bodies under section 45 S of RBI Act 1934.
- c) Not subjected to any investigation at the instance of Government agencies or departments.
- d) Complied with section 164-275 of Companies Act 2013

- e) Meet criteria of independence as specified in Section 149(6) of Companies Act 2013 and there is no change in the circumstances which may affect my status as an independent director
- f) Not associated with defunct company nor associated with default companies as published by MCA
- g) I have not been proceeded against by SEBI /other agencies in the securities Market.
- h) There is no change from the declaration and undertaking submitted to the company as prescribed by RBI in respect of the Fit and proper criteria for Directors of NBFC .

Signature:

Name

Date:

To

Company Secretary/Compliance Officer
Manappuram Finance Limited

Reg: Disclosure of shares and voting rights held in the Company

Pursuant to the disclosure requirements of the Company's Statement of Policies and Procedures for prohibiting Insider Trading, I hereby disclose that I holdequity shares of Manappuram Finance Limited as on 31/03/2015. The following is the List of my dependant family members and their share holding in the Company.

Name	Relationship	DP Id No	Client Id No/ Folio No.	No of Shares

Signature

Name:

Designation:

There is no transfer from myself or relatives in contravention to the insider trading policy.

Note: Dependent family member means spouse, children and other individual in the family wholly dependent on the employee for his/her livelihood.

FORM MBP - 1
Notice of interest by director

[Pursuant to section 184 (1) and rule 9(1)]

To
The Board of Directors
M/s Asirvad Micro Finance Private Limited

Dear Sir(s)

I,, son/daughter/spouse of, resident of, company or companies, bodies corporate, firms or other association of individuals:-
being a director in the company hereby give notice of my interest or concern in the following

SI No.	Names of the Companies /bodies corporate/ firms/ association of individuals	Nature of interest or concern/ Change in interest or concern	Shareholding	Date on which interest or concern arose/ Changed
1				

Signature

Name
Director

Place:
Date: 01.04.2015

