

MANAPPURAM FINANCE LTD.,

Policy on Board composition and Compensation.

(Last amended by the board on 20th March, 2019)

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 , the provisions of Listing Obligations & Disclosure Requirements Regulations, 2015 (LODR) and the regulatory framework 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. **Board-** means the collective body of directors of the Company
- ii. **Committee-** means the committees of directors constituted by the Board
- iii. **Director-** means a director appointed on the board of the company
- iv. **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.
- v. **Independent director-** means an independent director referred to in sub-section (5) of section 149 of the Companies Act, 2013 or referred to LODR.
- vi. **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 LODR 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 one woman independent 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 3 months 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 director may be given the opportunity to familiarize with the company.
- 2.3 In addition to the familiarization program, the board may, if it thinks 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, 2013 and LODR. 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, 2013

4.2. The company shall select persons normally with the maximum age of 75 years and the minimum age as prescribed by the provisions of Companies Act, 2013, LODR and direction/guideline from RBI from time to time, for new appointments to the position of independent directors and non-executive directors. **No listed entity shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.**

4.3. The independent director proposed to be appointed has to be a person who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director

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).

The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.

- 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.

The fees or compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting, if-

- (i) the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or
- (ii) where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity:

Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such director.

Explanation: For the purposes of this clause, net profits shall be calculated as per section 198 of the Companies Act, 2013.

- 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 consist 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.

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