

MANAPPURAM FINANCE LIMITED (MAFIL)

BOARD APPOINTMENTS, COMPOSITION

AND

COMPENSATION POLICY

(Combined the “ Board composition and Compensations policy and Policy on Appointment of Subsidiaries)

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MANAPPURAM FINANCE LTD

1.Introduction

Manappuram Finance Ltd (hereinafter referred to as “MAFIL/Mafil”) endeavors to adopt best practices in corporate governance in its conduct and operations.

This policy seeks to document the practices and procedures to be followed by MAFIL for appointment of Directors, KMPs and SMPs and their compensation 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, latest being issued on the 19 October 2023

- a) Appointment of directors (including Non independent and Independent Directors)
- b) Appointment of key management personnel and senior management employees and their remuneration.
- c) Appointment of Directors in Subsidiary Companies

2. 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 2(47) of the Companies Act, 2013 and read with Regulation 16(1)(b) of LODR.
- vi. Provided that an individual shall be eligible to be appointed as an Independent Director only if his/her name is included in the databank specified in Section 150 of the Companies Act 2013¹
- vii. **Nomination Committee** (NRC); means the Nomination Compensation and Corporate Governance Committee of the Board.

¹ As per sub-rule (1) & (2) of Rule (6) Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, Independent Directors shall be registered with data bank maintained by the Indian Institute of Corporate Affairs at Manesar and should be qualified /exempted from the requirement of online proficiency test as provided under Sub Rule (4) of rule (6) of Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019. Director shall ensure that the registration has not been expired during the period of holding independent Directorship of the Company and shall submit a declaration to that effect along with the disclosure under 149 (7) to the Board every year or if there are any circumstances affecting the independence as provided under Section 149(6).

3. Policy statements:

3.1 Objectives of the policy

The key objectives of this policy are as under:

- To source, identify and appoint Directors including whole time, Non executive (non Independent) and independent Directors (IDs) applying appropriate criteria set by the board and in compliance with applicable laws, rules and regulations with appropriate due diligence including “Fit and Proper” criteria and any internal corporate policy prescriptions in place.
- To formulate the criteria for determining qualifications, relevant attributes and independence of a Director;
- To institute a mechanism for the appointment/ removal/ dismissal of directors, KMP and other Senior management personnel and lay down selection criteria for their appointment.
- To formulate a criteria for evaluation of performance of all the Directors on the Board
- To retain, motivate and promote talent and to ensure long term sustainability of talents in senior leadership of the company’s personnel.
- To formulate guidelines for compensation to KMPs and SMPs in compliance with the regulatory directives balancing corporate objectives and risk
- Institute a framework for assessment of the Board, committees and members including compliance with the regulations.
- To put in place a formal framework for appointment of Directors (including nominee Directors) on the Board of directors of Mafil’s subsidiary companies

4. Scope and Applicability

The policy shall cover the following.

Directors on the Board of Mafil

Key Management Personnel (KMPs) and Senior Management Personnel (SMPs)

Nominee and other directors on the Board of subsidiary Companies

5. Appointment of Board and Directors on the Board of Mafil

The Board of Directors shall be responsible for ensuring a transparent nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

The Board of Directors of the Bank shall satisfy itself that there is a succession plan in place for appointment to the Board of Directors and senior management.

This policy also lays down the fit and proper criteria which need to be adhered to in respect of the appointment / reappointment of a director. The Nomination and Remuneration Committee of the Bank shall ensure compliance of the above while identifying or recommending persons who are qualified to become directors and also persons who may be appointed as KMP or in senior management positions in accordance with the applicable regulatory norm

6. Composition of the Board of Directors

6.1 The Board shall consist of Individuals as Directors subject to the limit prescribed by regulations and the Memorandum and Articles of Association (AOA) of the Company

Within the limit prescribed the Company shall have a size of the Board commensurate with the scale of operations, skill and expertise required as deemed appropriate by the Board from time to time.

6.2 The Board shall have at least one Woman Director

6.3 The Board of Directors of the company shall have an optimum combination of executive and non-executive directors with not less than fifty percent of the Board of Directors comprising of non-executive Independent directors.

6.4 Mafil shall endeavor to have Directors with a wide and diverse range of interests, backgrounds, and experience comprising but not limited to any socioeconomic status, gender, diversity of experiences, viewpoints, backgrounds, and life experiences.

The Company shall endeavor to 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 decided by the Nomination committee based on the nature of business of the Company from time to time.

The Company shall endeavor to have a fair combination of Executive and Non-Executive and Independent Directors keeping in view of the regulatory guidelines in place.

6.5 The Company shall maintain the strength of Independent Directors on its Board keeping in mind the regulatory requirement in place. As per existing regulations the ratio of Independent directors is required to be one third of the total strength where the Board is headed by a Non-Executive Chairman and at least half of the Board strength in case the Board is headed by a whole time director as the Chairman.* Other conditions as per regulations are as under;

Any Independent Director to be appointed to the board shall not hold Directorships in more than 7 listed companies at the same time. However in the event of such companies being NBFCs the limit will be capped at 3 as prescribed in the SBR Master Circular of RBI

**While calculating the number of required Non-executive and independent directors' conservative approach should be taken and if required number result in fraction number because of the prevalent strength of the board, then next whole number should be taken as the requirement.*

6.6 The vacancy caused by the demitting of office by an Independent Director in any manner shall be filled within a period of 3 months. 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.

7. Qualifications for appointment of Directors

7.1 Candidates considered for appointment as director to be successful professionals having spent considerable length of time in their chosen profession/field of expertise in leadership roles, such as Financial services, Law and Accounting practice, Technology, HRD, Regulatory practices and marketing. Preferably Minimum 3 Years of Experience as Board Member of medium/large companies

7.2 The Board may review these criteria in respect of candidates with significant experience in Civil service, regulatory and practicing professionals having regard to the criteria specified by the Indian Institute of Company Affairs (IICA) for exemption for passing the screening test for Independent Directors

7.3 Considering the need for professional experience in managing the affairs of a Company, at least one of the directors should have relevant experience of having worked in a bank/ NBFC. Additionally the Board of Directors shall mainly consist of persons who have special knowledge or practical experience in one or more of the following areas :

- Accountancy
- Agriculture and rural economy
- Banking
- Cooperation
- Economics
- Finance
- Law
- Small-scale industries
- Information Technology
- Payment and Settlement Systems
- Human Resource
- Risk Management
- Business Management
- Any other subject which Mafil considers to be useful.

8. Process of selection and screening criteria

8.1 Identification of vacancies: The Board will identify the vacancies considering impending retirements/resignations and other requirements.

8.2 Experience : Candidates to be successful professionals having spent considerable length of time in their chosen profession/field of expertise in leadership roles, such as Financial services, Law and Accounting practice, Technology, HRD, Regulatory practices and marketing. Etc. with a Minimum 3 Years of Experience as Board Member of medium/large companies as detailed in para 1 above.

8.3 Sourcing: prospective candidates will be sourced through Reference from existing members of the Board from among their network. In the event no candidates are available through the aforesaid route appropriate candidates may be sourced by appointing a professional search firm by the Board

8.4 Selection: Nomination Committee shall carry out the detailed process of screening of prospective candidates and will recommend candidate/s for filling the position to the Board . Depending on the references and profile of the candidates reviewed, wherever deemed fit the Committee may recommend more than one candidate to the Board.

Wherever found necessary, in the opinion of the members of the committee a third party search may be carried out before boarding the candidate.

8.5 Tenure: Independent Directors shall be appointed for an Initial term of 3 or 5 years , at the discretion of the Board of Directors and can be considered for reappointment at the discretion of the Board on expiry of the initial term.

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 in its Master Directions on Scale based Regulations.

9. Familiarization & Skill enhancement program for Directors

Familiarization programs may be arranged upon induction of any new Director by way of interactive sessions with Chairman of the Board, senior Directors, Managing Director and other Key management personnel of the Company.

Such programs may be organized as director's skill refreshment programs or workshop on topic relevant to the Directors/Company or nominate to programs organized by industry associations professional bodies.

10. Assessment of independence & Fit and proper criteria.

10.1 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 Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of SEBI (Listing Obligation and Disclosure Requirements) 2015. The board shall on a continuous basis ensure that the Independent Directors continue to maintain their independence during their tenure on the board.

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.

10.2 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.

10.3 The Board and the Nomination Committee shall undertake a process of due diligence at the time of appointment/reappointment 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. The company shall obtain necessary information and declaration from the proposed / existing directors for the purpose in the format prescribed by RBI.

10.4 All the declarations made by the directors at the time of appointment/reappointment shall be scrutinized by the Nomination Committee.

Based on the information provided in the signed declaration, the Nomination Committee shall decide on the acceptance or otherwise of the Directors, where considered necessary.

10.5 The company shall obtain annually as of 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.

10.6 The board shall ensure that nominated/elected Directors execute the Deeds of Covenants in the format prescribed by RBI and any other covenants that the Board may approve during the tenure of the Director appointed .

10.7 An independent director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time at the time of on boarding with effect from 31 October 2024. as prescribed under Scale Based Regulations (SBR) of RBI

10.8 Conflict of interest: The committee and the Board shall examine in detail any conflict of interest and appointment will only be made upon satisfaction that there is no

conflict arising out of their independent directors being on the Board of another NBFC at the same time

10.9 The Nomination Committee and the Board shall examine any conflict of issue upon any Director assuming any new Directorship in any NBFC on receipt of such notification from him/her. The position also will be subject review of any existing and new conflict of interest annually at the time of review to ensure that there is no conflict of interest in the continuation of any member of the Board.

In the event of the Board at any point in time feels that there is a conflict of interest with any existing members during his/her tenure the Board may take appropriate steps to remedy the same

If any director intends to associate with any other NBFC with similar business profile (particularly gold loan business), he/she shall immediately intimate to the board of his/her intention of making such association so that Board has reasonable time to assess his/her conflict of interest on attaining such association.

10.10 Mafil has extensive borrowing relationships with almost all the leading Banks in India. Commonality of Directorships with any Bank is likely to impede timely flow of working funds from such Bank/s to the Company due to regulatory directions in respect of credit sanction by a Bank in such a situation leading to changes in Bank's internal approval chain and delays. As the seamless flow of working funds is important, the company shall refrain from considering any candidates for on-boarding as a Director any prospective candidate who is already serving on any Bank Board or any subsidiary/group company Board. In the event of any candidate joining after leaving a Bank board with whom the company has borrowing relationships, such induction shall be effective after a cooling period of 3 Months from the date of exit from the Bank Board. In case any serving member is desirous of joining any Bank Board/Subsidiary or Group Company Board such member may exercise choice between the Company and the Bank with due similar notice of three months to the Company

10.11 Key Managerial Personnel - Except for directorship in a subsidiary, Key Managerial Personnel shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. It is clarified that they can assume directorship in NBFC-BLs.

11.Age and tenure of Independent and non-executive Directors.

11.1 An Independent Directors appointed to the Company will have tenure of 3 to 5 years as may be decided by the Board. They may be considered for reappointment for another term of 3 to 5 years in compliance with the applicable provisions of the Companies Act, 2013

11.2 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 Director ship of any person as a non-executive Director who have 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 person.

12. Review of performance of Independent Directors

The Nomination committee and the board shall put in place a mechanism for the review of the performance of each Independent Director and other non-Executive Directors.

A review of performance shall be undertaken once in a financial year, preferably before the next Annual General Meeting.

Based on the review of performance, the Nomination and Remuneration committee may recommend for the continuance, re- appointment or removal of Directors.

13. Compensation of Executive and Non-Executive Directors.

13.1 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 percent of the total remuneration payable to all Non-Executive Directors, giving details of the remuneration thereof.

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.

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.

13.2 Subject to the compliance with the provisions of Companies Act, 2013, the board may on the recommendation of the Nomination committee after considering 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.

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.

13.3 Remuneration of executive Directors shall be fixed by the Board on the basis of the 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, as required, and a variable pay based (performance based annual commission) to be decided by the board on the recommendation of the Nomination committee. While deciding the variable pay NRC/Board shall ensure that the ratio of variable pay to Fixed pay is in conformity with any regulatory directions in place. 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, subject to the applicable statutory provisions.

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.

14. Succession planning for appointment to board and Senior Mgt Personnel

14.1 The board may identify suitable persons to be appointed by the board positions for filling up vacancies upon the recommendation of NRC.

14.2 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 the minimum required Independent Directors, the board may or may not fill the vacancy as it may deem fit.

14.3 Suitable candidates may be identified by the NRC from reputable references or from data banks maintained by industry associations, professional bodies or nongovernmental organizations or by inviting applications through any media.

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. Wherever felt necessary filling senior positions may be resorted to with the prior approval of the NRC/Board

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 caused to ensure the business continuity and as part of succession planning exercise in the best interest of the Company

15.Appointment of Directors on Subsidiary companies

Mafil has 4 Subsidiary companies namely 1) Asirvad Micro Finance Ltd , 2) Manappuram Comptech & Consultants Ltd , 3) Manappuram Home Finance Limited 4) Manppuram Insurance Brokers Ltd.

To ensure that these companies also align the governance objectives and other stake holder expectations and in conformity with regulatory directions if any Mafil shall consider appointing Directors on the Boards of Subsidiaries. Detailed policy and prescriptions for the same is attached as Annexure I to this policy.

16. Compensation plan for Key Management personnel (KMPS) and their Seniormanagement team members

In accordance with the regulatory requirements the Company has framed a detailed compensation policy as detailed in Annexure II to this Policy

17. Applicability of Laws/ regulations/ guidelines

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

18. 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.

Annexure I to Board appointments, composition and compensation policy

POLICY FOR APPOINTMENT OF DIRECTORS IN SUBSIDIARIES

Background:

Manappuram Finance Ltd (MAFIL) has grown significantly in size and reach over the last two decades. The company now is among the top few NBFCs and is an established Gold lender in India. The Company as of now has four subsidiaries engaged in Micro finance, Home loans, Insurance Broking and an Information technology company.

Given the regulatory directions affecting MAFIL and its subsidiaries it is necessary for MAFIL to ensure a closer oversight of the operations of the subsidiaries to ensure they conform to the standards of governance required as per regulations. Besides, it is also necessary for MAFIL to exercise effective control over the subsidiaries on a regular basis in the overall interest of MAFIL's stake holders.

1. Definitions

The following terms shall have meanings as per the provisions of the Companies Act, 2013 (the Act) as amended from time to time and / or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time, as the case may be. The definitions of the said terms as per the stated law are reproduced for the sake of convenient reading:

- a) Associate Company in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.
- b) Audit Committee shall have the same meaning as explained in Section 177 of the Act.
- c) Board or Board of Directors in relation to a company means the collective body of the company for the time being.
- d) Body Corporate includes a company incorporated outside India, but does not include—
 - (i) a co-operative society registered under any law relating to co-operative societies; and
 - (ii) any other body corporate (not being a company as defined in this Act), which the Central Government may, by notification, specify in this behalf;
- e) Company means a company incorporated under this Act or under any previous company law.
- f) Director means a director appointed to the Board of a company.
- g) "Nominee director" is a director appointed by MAFIL in accordance with the provisions of any applicable law or agreement to represent its interests in the Subsidiary and Associate Companies

- h) Holding Company, in relation to one or more other companies, means a company of which such companies are subsidiary companies;

Explanation— For the purposes of this clause, the expression "company" includes anybody corporate.

- i) Independent Director, means an independent director referred to in sub-section (6) of section 149;
- j) Material subsidiary” shall mean a subsidiary whose income or net worth exceeds 10[ten] percent of the consolidated income or net worth respectively, of the listed entity and its subsidiaries in the immediately preceding accounting year.
- k) Subsidiary Company or Subsidiary in relation to any other company (that is to say the holding company), means a company in which the holding company—
- (i) controls the composition of the Board of Directors; or
 - (ii) exercises or controls more than one-half of the total voting power either at its own or together with one or more of its subsidiary companies:

Provided that such class or classes of holding companies as may be prescribed shall not have layers of subsidiaries beyond such numbers as may be prescribed.

Explanation.—For the purposes of this clause,—

- (a) a company shall be deemed to be a subsidiary company of the holding company even if the control referred to in sub-clause (i) or sub-clause (ii) is of another subsidiary company of the holding company;
- (b) the composition of a company's Board of Directors shall be deemed to be controlled by another company if that other company by exercise of some power exercisable by it at its discretion can appoint or remove all or a majority of the directors;
- (c) the expression "company" includes any Body corporate;
- (d) "layer" in relation to a holding company means its subsidiary or subsidiaries;

2. Applicable Regulatory provisions

SEBI Guidelines: As per SEBI (LODR) Regulation 24(1) At least one independent director on the board of directors of the listed entity shall be a director on the board of directors of an unlisted material subsidiary, whether incorporated in India or not.

3. Objective of the policy

The policy seeks to put in place a formal arrangement for appointing Directors in the subsidiary companies of MAFIL to exercise closer oversight of their Governance and control over the operations of the affairs of the subsidiaries.

4. Details of Mafil's existing Subsidiary Companies

MAFIL has the following subsidiaries and no Associates companies as of now.

Unlisted Material subsidiary

- Asirvad Micro Finance Ltd

Unlisted Non material Subsidiaries

- Manappuram Home Finance
- Manappuram Insurance Brokers Limited
- Manappuram Comptech and Consultant Ltd

5. Detailed provisions of the policy.

Within the regulatory guidelines in place and with the objective of ensuring closer oversight, governance and control of subsidiaries of MAFIL, the Board of Directors proposes to put in place the following details as a policy in respect of appointment of Directors on its subsidiaries.

5.1.Appointment of Independent Directors of MAFIL in the Board of Subsidiaries.

- a) MAFIL shall appoint at least one Independent Director from its Board of Directors as a Director on the Board of its Material subsidiary/s in compliance of the SEBI directive.
- b) MAFIL at its discretion may appoint more than one Independent Director from its Board of Directors to the Board of Directors of its Material subsidiary/s as deemed fit from time to time.
- c) MAFIL shall have the right to appoint one or more Independent Directors from its Board of Directors on the Board of its non-material Subsidiaries at its discretion after due consultation with the Board of such subsidiaries.

5.2.Guidelines applicable for Independent Directors consequent to listing.

In the event of any of the MAFIL's unlisted Material subsidiary becoming a listed Company, the Board of MAFIL may allow the continuation of directors appointed on the Board of subsidiary.

In the event of such Directors continuing on the Board as appointed, they are required to manage any conflict of interest between the parent company and the subsidiary in respect of transactions between the two companies by recusing themselves in the same way applicable to any other related parties in conformity with the existing regulations.

Also, matters where the duties of the Common Directors to the companies' conflict, the Common Directors should recuse themselves from the deliberations of the Boards where they are directors.

5.3.Appointment of Nominee Directors in Subsidiary Companies.

MAFIL shall explore to have the right to appoint nominee director/s on the Board of its subsidiaries as deemed fit by the Board of Directors after due consultation with the Board of Directors of such subsidiaries. To facilitate this, MAFIL shall initiate discussions with the Boards of Subsidiaries with an objective to formalize appropriate arrangements/agreements including Share Holder agreements (SHA) as appropriate.

5.4. MAFIL shall suggest the Subsidiary company Boards to nominate members appointed by MAFIL in the Audit Committee of the Board wherever applicable.

6. Guidance for Directors appointed by MAFIL on Subsidiary Boards.

Director/s appointed by MAFIL in terms of this policy shall have the following duties and obligations vis-à-vis the Subsidiary / Associate Company so appointed:

- a) Shall try to attend all Board meetings / committee meetings.
- b) Shall act in good faith and in the best interests of the company.
- c) Shall exercise reasonable care and skill and shall exercise independent judgement.
- d) Shall exercise due diligence while exercising oversight on the business decisions and information presented (including the financial information).
- e) Shall not act in a manner to achieve or attempt to achieve any undue gain or advantage or gain either to himself or to his relatives, partners or associates.

7. Term of Office

Subject to provisions in para 5.2 above, Directors appointed by MAFIL shall hold office in terms of the provisions of the Act and Articles of Association of the company concerned.

8. Obligations for procuring Management reports from Subsidiaries.

The Company Secretary in coordination with the Chief Financial Officer (CFO) of the company shall arrange to obtain all the required reports from the subsidiaries reports including (but not limited to) the following reports for presenting to the Board of MAFIL for review and directions;

- a) Details of all significant transactions and arrangements entered into by the Subsidiary.
- b) Signed Minutes of the meetings of the Board of Directors / of the Board of the Subsidiary
- c) Audited / unaudited financial statements, as the case may be, on a quarterly basis.

9. Review of the policy

This policy shall be reviewed at least annually by the Secretarial Department

Annexure II
To the Board appointments, composition and compensation policy

Compensation policy
(Applicable for Key Managerial Personnel (KMPs) and Senior Management Personnel (SMPs) and Other Employees)

Policy effective from: This compensation Policy is effective for the financial year 2023/24 and onwards .

Background

RBI has issued a circular DOR.GOV.REC.No.29/18.10.002/2022-23 dated 29th April 2022. The circular provides broad guidance to NBFCs in formulating and governing the compensation for Key Managerial Personnel (KMP) and Senior Management personnel (SMP). This compensation policy is being defined to be in-compliance with the guidelines issued.

1. Objective of the policy

The policy seeks to achieve the following objectives.

- a) To establish guidelines for remunerating employees fairly and in alignment with the applicable laws and regulations.
 - b) To determine a level of compensation based on the Company's business outlook , financial position, growth and trends and practices on remuneration prevailing as the best practices in competitive compensation based on fairness and equity.
 - c) To align reward and recognition mechanism directly to the effort, commitment, performance, dedication, and achievement relating to the Company's operations
 - d) To attract, retain, motivate, and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
 - e) To 'Pay for Performance' i.e., the compensation shall be linked to the performance and to strike the right balance between fixed and incentive pay reflecting short- and long-term performance objectives appropriate to the goals of the company.
 - f) To ensure compliances and maintain high standards of governance.
- In the context of the aforesaid, the following policy has been formulated.

2. Scope of the policy

This Policy is applicable to all Key Managerial Personnel (KMPs) including MD &CEO, Executive Director and other members of the Key Managerial Personnel, Senior Management personnel (SMPs) of the Company (together referred to as “Covered Employees”).

3. Definition(s)

3.1. “Key Managerial Personnel” (KMP) as defined in section 2(51) of the Companies Act, 2013 (“the Act”) means:

- (i) the Chief Executive Officer or the Managing Director.
- (ii) the Company Secretary.
- (iii) the Whole-time Director.
- (iv) the Chief Financial Officer.
- (v) such other officer, not more than one level below the CEO who is in whole time employment, and designated as Key Managerial Personnel by the Board: and
- (vi) such other officer as may be prescribed.

3.2. “Senior Management” shall mean officers/personnel of the Company who are members of its Core Management Team and are specially designated by the management with the approval of the NRC/Board and may include all members of management one level below the chief executive officer/managing director/whole-time director and who does not come under the KMPs.

3.3. Nomination, Remuneration and Corporate Governance Committee (“NRC”) shall mean a committee of the Board of Directors of the Company

3.4. A “malus” arrangement shall mean where the Company prevents the vesting of all or part of the amount of a deferred remuneration/Benefit.

3.5. A “clawback” arrangement shall mean a contractual agreement between the Covered Employees and the Company in which the Covered employee agrees to return previously paid or vested remuneration to the Company under certain circumstances or empowers the Company to recover previously paid or vested remuneration by the company under certain circumstances.

3.6. “Retention period” shall mean a period of time after the vesting of instruments which have been awarded as deferred compensation during which they cannot be sold or accessed.

4. Underlying Principles for the policy.

The policy is prepared based on certain specific principles in the context of our operations as detailed below.

- To align the compensation with the long-term interests of the Company and its shareholders/stake holders
- To be transparent as far as possible simultaneously ensuring less complexity.
- Align the parameters to annual business performance of the company.
- To ensure meritocracy and is linked to key performance and business drivers.
- Reflective of market competitiveness so as to attract the best talent.
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5. Compensation Structure

The broad structure of compensation payable to Covered Employees shall be asunder:

5.1 Fixed pay :

Fixed pay has components like basic salary & other allowances as per the grade and position fixed by the Company. Benefits such as company provided car, medical & dental reimbursement, subsidized loans, insurance benefits, vehicle fuel and maintenance expenses, club membership, mobile instruments, etc., as per the Policy of the Company also forms part of the pay also may come under the fixed pay. Retirals such as PF, Gratuity & contribution towards pension fund etc. which are mostly statutory and may form part of the fixed pay coming within the Cost to company computation.

5.2 Variable Pay

Cash component :

- a) Annual component - based on individual performance against Key Performance Indicators (KPIs) agreed between the employee concerned and the Company which shall be made operative subject to overall company's performance being in line with budgetary objectives. While the KPIs will be set by the NRC in respect of Whole time Directors, KPIs in respect of KMPs and SMPs who are subject to variable pay shall be fixed by MD & CEO in consultation with NRC. Such amounts are paid in cash at the end of the review period to the concerned employee and will be based on the assessment with the approval of the NRC/ Board
- b) Joining / sign-on bonus for new KMP / Relocation incentive/severance pay etc. Such payments are paid in cash or reimbursement wherever applicable as per the rules of the company applicable.
- c) Deferred annual compensation: Certain portion of the performance based variable pay, (Annual component) as decided by NRC/Board, may be deferred. Such deferral may be made applicable to cash and non-cash components of variable pay. The quantum and the deferral period of such deferral arrangement may be decided by the NRC/Board. Conditions applicable for the payment of such deferrals including in the event of severing relationship with the company, any unforeseen events associated with the beneficiary of the payment may be decided by the NRC/Board. The vesting of deferred cash component of variable pay would continue as per schedule decided by the NRC/Board at the time of deferral even after separation of the employee from the services of the company except in the event of this separation being on account of Malus or Claw back provisions being applicable.

In the event of death or permanent disability of the individual unvested portions of variable pay will vest immediately except in situations where provisions of Malus / Clawback as applicable will apply.

- d) Employee Stock Options (ESOP) granted under approved ESOP schemes of the Company with attendant conditions and vesting schedule post the grant. .
- e) Restricted stock unit (RSU) : Involving awarding of shares, as a form of employee compensation with attendant conditions to be met by the employee concerned. Such RSUs are issued to employees through a vesting plan and distribution schedule after they achieve required performance milestones or upon remaining with their employer or a particular length of service etc. The company do not have any existing arrangement to issue RSUs and in the event of any such arrangement being sought it shall be with the prior approval of the NRC/Board.

5.3 Principles and procedures applicable for Variable pay

- a) Variable pay as a proportion of total remuneration increases as roles and responsibilities increase.
- b) The percentage distribution of total remuneration could vary basis roles and responsibility and performance in a given financial year
- c) Wherever any employee is paid a variable pay it shall be subject to well-defined performance indicators clearly articulated with the employee. Such KPIs shall clearly link the performance with the total remuneration paid to an individual. This is shared at the start of the year with KMP and members of senior management Personnel(SMP).
- d) The annual performance management process of the company gets initiated at the start of the financial year with goal setting. At the end of the year, the individual is evaluated on the performance delivered basis individual, business/ function unit's and company's performance. In addition, the individual is also rated on leadership demonstrated during the year.

5.4. Procedure for application of Variable pay to Individual cases.

At the beginning of each accounting year Management in consultation with NRC shall devise the detailed sets of KPIs applicable to employees being considered for payment of variable pay (in cash or non-cash) along with the parameters applicable to each employee. The exercise will cover, besides setting goals/KPIs for the year under review, the quantum of variable pay in cash, the portion of variable pay to be considered for deferral, the non-cash component of variable pay (ex. ESOP etc.) applicability of Malus. Clawback etc. within the overall ratio of fixed versus variable pay prescribed in the policy/regulations. Accordingly the final KPI will be signed off by the Management with the employee individually.

At the end of the accounting year (review year) management through the reporting authority will carry out the assessment of performance of individual employee vis a KPIs assigned and signed off at the beginning of the year. This exercise by the reporting authority/s will determine the final amount of the variable pay for the year and the split between cash, non-cash and also the portion of the amount subjected to deferral, claw back and Malus, the period for which these will prevail. The amount so decided will be communicated to the employee.

6. Compensation for Control and assurance function personnel:

- a) The goal setting and performance appraisal process of the company ensures that KMPs and senior management engaged in financial control, risk management, compliance and internal audit have performance measures that are independent of the business areas they oversee.
- b) The RMC and Audit committee of the Board reviews their performance independently and advises the company on their performance which in turn results in the variable part of their compensation.

7. Responsibilities of NRC:

- a) As per Regulatory norms applicable, the Board of the company has constituted a Nomination, Compensation and Corporate Governance Committee (NRC) with its role, scope and constitution being defined and approved by the Board.
- b) One of the responsibilities of the NRC is to oversee the framing, review, and implementation of the compensation policy of the Company.
- c) NRC shall recommend to the Board all remuneration, in whatever form, payable to KMPs and Designated Senior management personnel (SMPS) .
- d) NRC shall ensure that related RBI Guidelines pertaining to the composition. and other conditions applicable as per Rbi guidelines are be made applicable while determining the compensation of the KMPs and SMPs , including but not limited to the following conditions:
 - The compensation shall achieve a fine balance between the attractiveness for the concerned employee on the one hand and profitability & capital adequacy of the Company on the other hand.
 - For all reimbursements, which are part of the fixed pay, there should be a monetary limit specified in the internal grade-wise policies of the Company.
 - The proportion of variable pay vis a vis Fixed pay shall be dependent on the level of the employee, roles they carry.
 - Any variable pay will be subject to delivery of Key Performance indicators as decided by the NRC/Board. Such KPIs will be set at the beginning of the financial year after due discussion with the concerned officer.
 - Care shall be taken to ensure that critical control functions are not rewarded for business performances.

- NRC in consultation with the Board shall also determine representative set of situations for invoking the malus claw back arrangements as detailed separately in this policy under para;

7.Malus and Clawback provisions. :

7.1.Malus: A malus is a feature of a remuneration arrangement that reduces the amount of a deferred incentive/ bonus, so that the amount of the payout is less than the amount of the bonus/incentive awarded. Accordingly once Malus is invoked/triggered the amount of the payout is less than the amount of the incentive. Examples are stock options granted and is waiting to be vested. Malus arrangement does not reverse a vested right after it has already occurred.

7.2.The term clawback or claw back refers to any money or benefits that have been given out but are required to be returned (clawed back) due to special circumstances or events, such as the monies having been received as the result of a defined event triggered due to a clawback provision in the compensation.

This policy proposes to make the variable (in full or part) part of the compensation subject to Malus /Clawback arrangement. While a malus arrangement permits the company to prevent vesting of all or part of the amount of a deferred remuneration and clawback, on the other hand, is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the bank under certain circumstances.

7.3.Applying of Malus / Clawback arrangement on entire or part of variable pay on occurrence of the following Situations: • identified fraud / misconduct by the executive (whole-time directors, Chief Executive Officers / Material Risk Takers (MRTs)) pertaining to the corresponding period for which the clause to be applied. Malus & Clawback awards of variable pay will be subject to ex-ante / ex-post risk based assessment, on an annual basis at the time of allocation / vesting. ‘Malus’ (the reduction or cancelation of unvested awards) or ‘Clawback’ (recovery of payments already made) shall be implemented as under;

The Company shall, as a matter of principle prior to any action under this provision, ensure due regard to the Principles of fairness and Natural Justice in the administration of the process of implementing the provisions.

8.Circumstances under which application of Malus and Clawback is to be considered:

Variable pay part of Compensation will be subject Malus and Clawback arrangements in the event of occurrence or circumstances as detailed below;

NRC may duly take into consideration factors that were within control of the person (the subject employee), and/ or beyond reasonable control on account of conditions such as macro events, market conditions, industry performance, changes in legal/regulatory requirements, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions

etc. in administering the Malus and clawback provisions.

Certain instances of such events (not exhaustive) are given below;

- a) Material breach of company's Code of Conduct, any Non-Disclosure Agreement, regulatory procedures, internal rules and regulations or any other such instance for which the NRC, in its discretion, deems it necessary to apply Malus or / and Clawback provisions.
- b) Fraud, breach of trust, dishonesty, or wrongful disclosure by the employee of any confidential information
- c) Willful misinterpretation / misreporting of financial performance of the company
- d) Any misconduct pertaining to moral turpitude, theft, misappropriation, corruption, forgery, embezzlement or of criminal nature.
- e) Non-disclosure of material conflict of interest by the employee or any misuse of official powers
- f) An act of willful, reckless, grossly negligent conduct which is detrimental to the interest or reputation of the company.
- g) Malus may also be applied in the situation of significant deterioration of financial or risk performance from one financial year to the next. a) The performance measures defined as part of goal setting process of the company, business threshold metric and sustainable business strategy framework would form the primary considerations for evaluating the application of Malus in this condition
- h) Any events such as relating to information security events, fraud, consumer abuse, regulatory inspection observations (including awarding of lower (adverse) grades by the regulator) resulted on account of lack or deficiency or inadequacy of oversight by the subject person
- i) Any other events in the opinion of NRC/Board that has resulted in significant financial and or reputational loss
- j) Above events are to be considered by the NRC for application of Malus and Clawback where they result in significant loss to the company or its shareholders.
- k) Circumstances that may trigger Malus or Clawback provisions will be reviewed periodically by the NRC.

10. Application of Malus & Clawback provisions

- a) NRC will review the requirement to invoke the Malus or Clawback provisions in the event one or more of the circumstances come to light.
- b) The review by the NRC will aim to determine the involvement, accountability, severity and

willful nature of the act of the concerned person/s.

- c) Bonafide errors of judgment will not be subject to Malus provisions.
- d) The provision of a Malus arrangement would entail cancellation of deferred portion of variable pay. The NRC may decide to apply Malus on part, or all of the unpaid cash portion of variable pay or unvested ESOPs basis level of involvement, proportionality and impact.
- e) The provision of Clawback arrangement would entail return of already paid variable pay in cash and/ or ESOPs attributable to a given reference year to which circumstances triggering the provisions of Malus and Clawback are related.
- f) The NRC may decide to apply Clawback on part, or all of variable pay basis level of involvement, proportionality and impact.
- g) That variable pay up to and inclusive of Rs. 25 lacs may be exempt from the application of these provisions.

11. Operational procedure Malus/Clawback

- a) As detailed in para 5.4 the exercise will decide the detailed arrangements for invoking deferral payment (retention) of cash incentives, malus and claw back provisions. Once the exercise is finalized appropriate advice/agreement will be signed with the subject employees upon granting.
- b) Subsequent to granting the arrangement concluded at the end of the accounting year will be reviewed by the NRC/Board every year to decide on invocation of one or more arrangements with the beneficiary employees.
- c) In the event of a decision by the NRC/Board to invoke the arrangement vis a vis any of the subject employee management will initiate actions with appropriate notices to the employee concerned.
- d) Period: Retention, Malus and clawback provision on any individual cases shall apply for a period of 3 years after the date of grant of the underlying variable pay. to the employee concerned.,

12. Approval and Amendments

- a. The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the policy entirely with a new policy, based on the recommendation(s) of NRC, from time to time.
- b. Statutory/ regulatory provisions and any amendments thereon, made from time to time shall be binding on the Company and will be complied with even if not specifically incorporated in this Policy.

13.Limitation

In the event of any conflict between the provisions of this Policy, SEBI Listing Regulations/ the Act, and rules thereunder, RBI Guidelines or any other statutory enactments, the SEBI Listing Regulations /the Act, and rules thereunder, RBI Guidelines or any other statutory enactments shall prevail over this Policy.
