MANAPPURAM FINANCE LIMITED (MAFIL)

BOARD APPOINTMENTS, COMPOSITION AND COMPENSATION POLICY

Version Control		
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Version 1	New Policy	03-02-2015
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Prepared By	Secretarial department
Reviewed by	Nomination, Compensation and Corporate Governance Committee
Approved by	Board of Directors

1.Introduction

Manappuram Finance Limited (hereinafter referred to as "MAFIL/Company") 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 and their compensation in line with the statutory requirements under sections 149 and 178 of the Companies Act, 2013, the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and the RBI regulations applicable to NBFCs, including governance and fit and proper requirements, as amended from time to time.

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 by 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 Listing Regulations.
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 2013

vi. **Key Managerial Personnel / KMP**, 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;
(v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board

vii. **NRC** means the Nomination, Compensation and Corporate Governance Committee of the Board.

viii. **Senior Management Personnel / SMP** means the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the persons identified and designated as Key Managerial Personnel, other than the Board of Directors, by Company.

3.Policy statements:

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), by 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 Directors.
- To institute a mechanism for the appointment of Directors, KMP and other Senior Management Personnel and lay down selection criteria for their appointment.
- To formulate criteria for the 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 the senior leadership of the Company.
- Institute a framework for assessment of the Board, its committees and members including compliance with the applicable regulations.
- To put in place a formal framework for the appointment of Directors
- To establish and maintain a structured framework for Board composition, including succession planning and development of skills.

4. Scope and Applicability

This Policy shall apply to Directors of MAFIL, KMPs, SMPs.

5. Appointment of Directors on the Board of MAFIL

The NRC and the Board of Directors shall ensure a transparent and robust appointment process, taking into consideration qualifications, integrity, expertise, diversity, independence, and the "Fit and Proper" criteria as prescribed under applicable laws and regulations.

The Board shall also satisfy itself that an appropriate succession plan is in place for appointments to the KMPs and SMPs and shall ensure that governance oversight mechanisms are adequately strengthened.

This Policy lays down the principles and criteria to be adhered to for the appointment and reappointment of Directors. The NRC shall ensure compliance with the same while identifying or recommending persons qualified to be appointed as Directors, as well as persons to be appointed as KMPs or SMPs, in accordance with applicable regulatory norms.

6. Composition of the Board of Directors

6.1 The Board shall consist of Individuals as Directors, subject to the limits prescribed under applicable laws/regulations and the Articles of Association 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 as Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirements), 2015.
6.3 The Board shall have an optimum combination of Executive and Non-Executive Directors, with not less than fifty percent of the Board comprising Non-Executive 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 socio-economic 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 NRC 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 Independent Non-Executive Directors keeping in mind the regulatory guidelines in place.

6.5 The Company shall maintain the strength of Independent Directors on its Board keeping in mind the regulatory requirements in place. As per extant 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.

Additionally, where the regular non-executive chairperson is a promoter of the listed entity or is related to any promoter or person occupying management positions at the level of Board of Director or at one level below the Board of Directors, at least half of the Board of Directors of the listed entity shall consist of Independent Directors.

While calculating the number of required Independent Non-Executive Directors conservative approach should be taken and if required numbers result in fraction 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 as per the extant regulatory requirements.

6.7 The listed entity shall ensure that approval of shareholders for appointment or reappointment of a person on the board of directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

7.Qualifications for Appointment of Directors

7.1 Candidates considered for appointment as a Director to be 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 online proficiency 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
- Banking
- Co-operation
- 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 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.

8.3 Sourcing: Prospective candidates may be sourced through reference from existing members of the Board from among their network or by appointing a professional search firm.

8.4 Selection: The NRC 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 profiles 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 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.

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 KMPs & SMPs of the Company.

Programs including skill enhancement sessions, workshops on relevant topics, or participation in programmes organized by industry associations or professional bodies may be facilitated by the Company.

10. Assessment of independence & Fit and Proper criteria.

10.1 While considering the appointment of an Independent Director, the NRC and the Board shall

ensure that the incumbent satisfies the criteria 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 -appropriate declarations from the appointee/ Directors at the time of appointment and at such intervals as the Board may deem fit.

10.2 In the case of appointment of Executive and Non-Executive Directors including Independent Directors, the NRC 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 NRC 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 declarations from the proposed / existing Directors for the purpose in the format prescribed by RBI. The Nomination and Remuneration Committee (NRC) may, at its discretion and where considered necessary, seek a Background Verification Report for any Director.

10.4 All the declarations made by the Directors at the time of appointment/reappointment shall be scrutinized by the NRC.

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

10.5 The Company shall 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.

10.6 A Director shall not hold Directorships in more than 7 listed companies at the same time. Additionally, an Independent Director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time.

10.7 Conflict of interest: The NRC 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.

10.8 The NRC and the Board shall examine any conflict of interest upon any Director assuming any new Directorship in any NBFC on receipt of such notification from him/her. The position also will be subject to 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, 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.

10.9 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 or any prospective candidate who is already serving on any Board of Directors of Banks ("Bank Board") or the Board of Directors of any Subsidiary/Group Company of a Bank ("Subsidiary or 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 his/her choice between the Company and the Bank with due similar notice of three months to the Company.

10.10 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 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 and applicable regulations.

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, Listing Regulations and direction/guideline issued by the 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 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 NRC 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 NRC may recommend for the continuance, re- appointment or removal of Directors.

13. Compensation of Directors.

13.1 On the recommendation of the NRC, the Board will fix the remuneration of Non-Executive Directors (including Independent Directors).

Approval of shareholders by special resolution shall be obtained every year, in case 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 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.

Remuneration of Executive/Whole-time Directors will be an optimal combination of fixed and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks and are consistent with risk alignment as detailed further at Clause 15 below. The compensation may also contain a mix of cash and equity subject to statutory guidelines.

13.2 Subject to the compliance with the provisions of Companies Act, 2013, the Board may, on the recommendation of the NRC after considering the profitability of the Company for each financial year, approve the payment of an annual commission payable to 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 approval of 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.

14. Succession Planning for Appointment to Board and Senior Management Personnel

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

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

The Company may identify critical positions and devise a system of proper mentoring to identify officers of the Company to take up the senior positions in case of a vacancy, to ensure business continuity and as part of succession planning exercise in the best interest of the Company.

15. Compensation Plan for Key Management Personnel (KMPs) and Senior Management Personnel (SMPs)

To retain, motivate and promote talent and to ensure long term sustainability of talents in the senior leadership of the Company and in accordance with the regulatory requirements, the Company has framed a detailed separate Compensation Policy of Key Managerial Personnel (KMP) and Senior Management Personnel (SMP) ("Compensation Policy"). The implementation of the Compensation Policy ensures that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

16. 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.

17. Amendment to the policy.

The provisions of this policy may be amended by the Board at any time on the recommendation of the NRC.