



**MUTHOOT MICROFIN LIMITED**

**NOMINATION AND REMUNERATION POLICY**

The Nomination & Remuneration Policy (“Policy”) of Muthoot Microfin Limited (“MML” or “Company”) is formulated under the Companies Act, 2013 (“Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (“Listing Regulations”) and other applicable laws (hereinafter referred to as “Relevant laws”).

## 1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013, the LODR regulation and Guidelines of Reserve Bank of India on Corporate Governance Norms for NBFCs. The Key Objectives of the Committee would be:

- a. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- b. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- d. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

## 2. DEFINITIONS

- a. **Act** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- b. **Board** means Board of Directors of the Company.
- c. **Company** means Muthoot Microfin Limited
- d. **Directors** mean Directors of the Company.
- e. **Independent Director** means a director referred to in Section 149 (6) of the Companies Act, 2013.
- f. **Key Managerial Personnel (KMP)** means
  - Chief Executive Officer or the Managing Director
  - the Manager;
  - Whole-time director;
  - Chief Financial Officer
  - Company Secretary;
  - such other officer as may be prescribed.
- g. **Remuneration** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961
- h. **Senior Management** means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads

## 3. COMPOSITION OF COMMITTEE

In accordance with the provisions of Section 178 of the Companies Act, 2013, the Board of Directors of Muthoot Capital Services Limited (the Company) at its meeting held on 10<sup>th</sup> February 2022 re-constituted the Nomination and Remuneration Committee of the Board of Directors to comprise of the following directors:

Thai Salas Vijayan	- Independent Director
Alok Prasad	- Independent Director
Bhama Krishnamurthy	- Independent Director
R Anand	- Independent Director
Thomas John Muthoot	- Non-Executive Director
John Tyler Day	- Non-Executive Director

#### **4. RESPONSIBILITIES OF THE COMMITTEE**

The Nomination and Remuneration Committee is responsible for:

- a. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
- b. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy and as per RBI guidelines;
- c. making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Managements so appointed/reappointed;
- d. assessing the independence of independent directors;
- e. such other key issues/matters as may be referred by the Board or as may be necessary in view of the provision of the Companies Act 2013 and Rules thereunder.
- f. to make recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract;
- g. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

#### **5. APPOINTMENT AND REMOVAL OF DIRECTORS/KMP AND SENIOR MANAGEMENT**

- a. The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- b. A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he / she is considered for.
- c. A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- d. For every appointment of an independent director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended for such role shall meet the description in point no. 7 of the Policy.

- e. An Independent Director shall hold office for a term up to maximum five consecutive years on the Board of the Company and will be eligible for re-appointment for another term of maximum five year on the passing of a special resolution by the Company. Independent Directors shall not retire by rotation
- f. For the purpose of identifying suitable candidates, the Committee may;
  - i. use the services of an external agencies, if required
  - ii. consider candidates from a wide range of backgrounds, having due regard to diversity and
  - iii. consider the time commitments of the candidates
- g. The Company shall appoint or continue the employment of a person as Managing Director / whole-time Director, non-executive Director and independent director who has not attained the maximum age of retirement as prescribed under relevant laws.
- h. A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time.
- i. The Company shall not appoint any resigning independent director, as whole-time director, unless a period of one year has elapsed from the date of resignation as an independent director

## **6. FIT AND PROPER CRITERIA.**

The Nomination and Remuneration Committee shall undertake a process of Due Diligence based on the criteria of qualifications, technical expertise, track record, integrity etc. The basic objective of ascertaining the fit and proper criteria shall be to put in place an internal supervisory process on a continuing basis and to determine the suitability of the person for appointment / continuing to hold appointment as a Director on the Board of the Company. The Candidate at the time of appointment and at the time of the renewal of Directorship shall fill in such form as approved by the Nomination and Remuneration Committee to enable the Committee undertake such exercise of ensuring the 'Fit and Proper Criteria'.

The Committee shall undertake such Due Diligence exercise at the time of appointment of the Directorships of the incumbent. The indicative criteria for determining the 'fit and proper' criteria forms part of the Policy and is placed at **Annexure – I**.

## **7. CRITERIA FOR INDEPENDENCE - For Directors to be appointed as Independent Director on Board of the Company.**

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. who is or was not a promoter of the company or its holding, subsidiary or associate company;
- c. who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- d. who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year
- e. none of whose relatives—
  - i. is holding securities of or interest in the Company, its holding, subsidiary or associate company during the three immediately preceding financial years or during the current financial year of face value in excess of fifty lakh rupees or two percent of the paid-up capital of the Company, its holding, subsidiary or associate company, respectively, or such higher sum as may be specified;

- ii. is indebted to the Company, its holding, subsidiary or associate company or their promoters or directors, in excess of such amount as may be specified during the three immediately preceding financial years or during the current financial year;
- iii. has given a guarantee or provided any security in connection with the indebtedness of any third person to the Company, its holding, subsidiary or associate company or their promoters or directors, for such amount as may be specified during the three immediately preceding financial years or during the current financial year; or
- iv. has any other pecuniary transaction or relationship with the Company, its holding, subsidiary or associate company amounting to two percent or more of its gross turnover or total income: Provided that the pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.]
- f. who, neither himself /herself, nor whose relative(s) —
  - 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 or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed; Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.
  - 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 nonprofit 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;
  - v. is a material supplier, service provider or customer or a lessor or lessee of the Company
- g. who is not less than 21 years of age.
- h. 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

The Familiarization Program for Independent Director is forms part of the Policy and is placed at **Annexure – II.**

## **8. CRITERIA TO BE CONSIDERED WHILE APPOINTING KMP, SENIOR MANAGEMENT PERSONNEL**

The Committee shall consider the present and future requirements of the Company when shortlisting and recommending a candidate for KMP and Senior Management position. The criteria to be considered

when assessing prospective candidates for a KMP and Senior Management position shall include the following:

- a. The overall experience of the person and the relevant experience in the required field of expertise
- b. Academic records / background, educational qualifications, including specialised qualifications in relevant areas
- c. Highest levels of personal and professional ethics and integrity
- d. Demonstrable leadership skills, good interpersonal relationships and possessing managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, strategic thinking etc
- e. Ability to contribute towards achievement of the business objectives of the Company.

The selection procedure to be followed for the appointment of persons at the KMP and Senior Management positions would be as below.

In case of vacancy / opening at KMP and Senior Management position, the NRC in consultation with the Managing Director or CEO shall identify and short list employees to fill such vacancy. The said vacancy/opening may be filled by selecting an employee within the same location/ function or through a lateral transfer of an employee from another location/ function. In the event that there are no suitable internal candidates within the Company for the said position, the NRC may select an external candidate.

## **9. REMOVAL OF A DIRECTOR, KMP OR SENIOR MANAGEMENT**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

## **10. REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, Key Management Personnel and other senior managements. The Directors, Key Management Personnel and other senior management's salary shall be based "& determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any.

The Nominations & Remuneration Committee determines individual remuneration packages for Directors, KMPs and Senior Managements of the Company taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines.

Key principles of compensation for KMP, Senior Management and other employees would be as under:

- a. Attract and retain: Remuneration packages shall be designed to attract high calibre executives in a competitive market and remunerate executives fairly and responsibly. The remuneration shall be competitive and based on the individual's responsibilities and performance.
- b. Motivate and reward: Remuneration shall be designed to motivate delivery of the Company's key business objectives, create a strong performance-orientated environment and reward achievement of meaningful targets over the short and long-term.

Remuneration to Managing Director, Chief Executive Officer, KMP, Senior Management Personnel and other Executives and Employees is evaluated annually against performance and a benchmark of companies in NBFC / Banking Sector, which in size and complexity are similar to the Company. The remuneration structure inter-alia hinges on the following:

- a. Compensation for each individual is benchmarked every year with competitors (NBFCs and Banking Companies) to ensure that their compensation is at par or above the industry median.
- b. Variable Pay for Performance - over and above fixed compensation individuals may be rewarded with annual periodic bonus / incentive plan linked to performance.
- c. ESOPs - Individuals are eligible for grants as per the ESOP Plan in the Company which has been designed to reward performance and drive long term retention of critical talent.
- d. Learning & Development - The Company may invest in providing the best of learning and development opportunities for each individual to enable them to enhance their skills and knowledge

The remuneration and other terms of the key managerial personnel / other employees shall also be subject to terms and conditions as specified in their respective letter of appointment.

Remuneration to Non- Executive / Independent Director:

- a. Remuneration / Commission: The remuneration / commission shall be fixed as per statutory provisions, if any and approval of the Board and/or Shareholders be taken, wherever required.
- b. Sitting Fees: The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. 1,00,000 per meeting of the Board or Committee or such amount as may be approved by the Board and prescribed by the Central Government from time to time.

## **11. MONITORING AND EVALUATION**

The Nomination and remuneration Committee shall evaluate the performance of the Directors and the overall Board broadly on the basis of below mentioned criteria:

- Whether the Directors / Board have acted in accordance with the provisions of the Articles of Association of the Company.
- The Committee shall assemble all information regarding a candidate's background and qualifications to determine if the candidate possesses or satisfies the minimum skills and qualifications that a director must possess.
- The Committee shall evaluate a candidate's mix of skills and qualifications and determine the contribution the candidate could be expected to make to the overall functioning of the Board.
- The Committee shall give due consideration to the overall Board balance of diversity of perspectives, backgrounds and experiences.
- With respect to current directors, the Committee shall consider past attendance at meetings and assess the participation in and contributions to the activities of the Board. Whether the Directors / Board have acted 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.
- Whether the Director / Board has exercised their duties with due and reasonable care, skill and diligence and whether the Director / Board have exercised independent judgment.
- Whether the Director / Board have involved in a situation in which he / they may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company.

- The Committee shall recommend director to the Board based on its assessment of overall suitability to serve on the Board in accordance with this Policy.

## **12. POLICY REVIEW**

In case of any subsequent changes in the provisions of the Companies Act, 2013, RBI regulation, SEBI LODR regulation or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be given for approval of the Board of Directors.



## **ANNEXURE 1- FIT AND PROPER CRITERIA**

### **A. REGULATORY FRAMEWORK AND BACKGROUND**

1. As per the Reserve Bank of India (“RBI”) Circular, dated July 03, 2015, titled ‘Master Circular – “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions, 2015’, bearing reference number DNBR (PD) CC No.040/03.01.001/2014-15 (“RBI Circular”), every non-deposit accepting Non-Banking Financial Company with asset size of Rs.500 crore and above (NBFCs-ND-SI), as per its last audited balance sheet, is required to put into place a policy for ascertaining the fit and proper criteria to be adopted at the time of appointment of directors and on a continuing basis. Muthoot Microfin Limited (“Company”), being an NBFC-MFI, is accordingly required to put such a policy in place.
2. This policy (“Policy”) was approved by the Board of Directors. The Policy has been created in line with the guidelines provided by the RBI in the RBI Circular and shall be reviewed by the NRC periodically including in the context of any additional guidelines or directions which may be issued by the RBI in this regard.

### **B. DEFINITIONS**

- **“Board”** means Board of Directors of the Muthoot Microfin Limited.
- **“Company”** means the Muthoot Microfin Limited.
- **“Directors”** means and include Managing Director, Whole-Time Director and Non-Executive Director(s)
- **“Nomination and Remuneration Committee or NRC”** means the Nomination and Remuneration Committee of the Board of Directors of the Company constituted under provisions of Companies Act, 2013.
- **“Policy”** means Policy for ‘Fit and Proper’ Criteria in respect Of Directors

### **C. OBJECTIVE**

The objectives of this Policy are:

- To set out the ‘fit and proper’ criteria based on which new directors proposed to be appointed and existing directors whose appointment is intended to be continued can be evaluated.
- To lay down the criteria for determining the qualifications, positive attributes for appointment and removal of Director(s)
- To lay down fit & proper person criteria and process of due diligence to determine the suitability / eligibility of a person for appointment / holding the position as a Director on the Board of the Company.

### **D. SCOPE AND APPLICATION**

1. The Policy shall apply in respect of appointment of directors on the Board of Directors of the Company (“Board”) as well as continuation of the appointment of the directors on the Board.

2. All existing directors on the Board will be required to submit the Declaration and Undertaking (as defined below) and execute the Director Covenant (as defined below) within a period of 30 days from the Effective Date.

## **E. EVALUATION OF FIT AND PROPER CRITERIA**

1. Before appointing any person as a director on the Board or continuing the appointment of any such director, the NRC shall undertake adequate due diligence in respect of such individuals to ascertain suitability on the basis of the qualification, expertise, track record, integrity of such individual and also such other factors in respect of which information is obtained by the Company in the Declaration and Undertaking (as defined below).
2. The Company shall prior to the appointment of any person as a director on the Board obtain necessary information and declaration from the proposed / existing directors for the purpose in the format given at Annex- 2 to the RBI Circular or such other format (where applicable) which may prescribe for the purpose by the RBI from time to time ("Declaration and Undertaking"). The Declaration and Undertaking in respect of the directors on the Board as on the Effective Date shall be obtained from the directors within the timeline specified.
3. The NRC shall scrutinize each Declaration and Undertaking received. The NRC shall after considering the result of its due diligence and the information provided in the signed Declaration and Undertaking, decide on and recommend to the Board the acceptance or otherwise of the potential new directors or existing directors whose appointment is to be continued or renewed, as the case may be.
4. Without limiting the generality of the foregoing paragraphs:
  - a. for appointment of independent /non-executive directors only candidates between 35 to 70 years of age or age as prescribed by RBI regulation/ notification shall be considered;
  - b. no person will be considered for appointment as a director if such person is disqualified to act as director under applicable law.
5. In order to conclude that a person is 'fit and proper' to be appointed as a director on the Board or to continue in that capacity (as the case may be), the Board must be able to form a view that it would be prudent to conclude, on the basis of recommendations of the NRC, that:
  - a. the person meets the fit and proper criteria expressly set out by the RBI in the Circular or such other or additional criteria (where applicable) which may prescribe for the purpose by the RBI from time to time
  - b. the person possesses the qualifications, competence, technical expertise, track record, integrity and judgement to perform properly the duties of a director on the Board;
  - c. the person possesses the educational or technical qualifications, knowledge and skills relevant to the duties and responsibilities as a director on the Board;
  - d. the person either:
    - has no conflict of interest in performing such person's duties as a director on the Board; or
    - if the person has a conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.

6. The Company shall require every director on the Board to annually provide not later than April 30 a simple declaration (reflecting the position as on 31st March) which either confirms that the information already provided to the Board in the Declaration and Undertaking has not undergone any change or where there is any change, specifies the requisite details of such change. Any declarations which indicate a change in the information provided in the original Declaration and Undertaking shall also be scrutinized by the NRC and the NRC shall keep the Board apprised of any such changes.
7. The Board shall ensure that any person who is appointed as director on the Board shall, on or before the date on which such person's appointment becomes effective, execute a deed of covenant in the format given in Annex-3 of the RBI Circular or such other format (where applicable) which may prescribe for the purpose by the RBI from time to time ("Director Covenant"). The Director Covenant in respect of the directors on the Board as on the Effective Date shall be executed between the Company and such directors within the timeline specified.

#### **F. QUARTERLY REPORTING**

The Company shall provide a statement to RBI on a quarterly basis (not later than 15 days from the end of every financial quarter) setting out the change of directors of the Company, which statement shall be certified by the Statutory Auditors of the Company (for the statement of quarter ended March 31) and shall also be accompanied by a certificate of the Managing Director of the Company confirming that the fit and proper criteria in selection of such new directors has been followed.

#### **G. RECORDING OF PROCEEDINGS**

The Company Secretary of the Company shall be primarily responsible for recording proceedings of the NRC and the Board in connection with Policy.

## **ANNEXURE II – FAMILIARIZATION PROGRAMME FOR INDEPENDENT DIRECTORS**

### **Preamble**

In view of the provisions of Schedule IV to the Companies Act, 2013 and SEBI (Listing Obligation and Disclosure Requirement) Regulation 2015, the Company shall familiarize the Independent Directors with the Company, their roles, rights, responsibility in the Company, nature of the industry in which the Company operates, business model of the Company etc. through various programs. The Policy provides the basic insights into the Company to enable the Independent Directors to understand the Company's business in depth that would facilitate their active participation in managing the affairs Company.

### **OBJECTIVES**

- To adopt a structured programme for orientation and training of Independent Directors at the time of their joining so as to enable them to understand the Company – its operations, business, industry and environment in which it functions.
- To update the Directors on a continuing basis on any significant changes therein so as to be in a position to take well-informed and timely decisions.

### **Induction on Joining the Board of Directors**

The new Independent Director is welcomed to the Board of Directors of the Company by sharing the following documents of the Company for his / her references:

- Memorandum of Association and Articles of Association of the Company
- Annual Reports of last three consecutive years
- Organizational Chart of the Company and the profile of all the Directors and the Senior Managerial Personnel of the Company
- Applicable policies such a whistle blower policy, Nomination and Remuneration Policy
- List of Contact details of the Directors, KMP, Senior Managerial Personnel and their personal / executive assistants.
- A detailed briefing on the roles and responsibilities of independent directors shall also be provided to the inductee

### **Familiarization Process**

- The Company shall through its Managing Director / KMP/ Senior Managerial Personnel conduct programs / presentations periodically to familiarize the Independent Directors with the strategy, operations and functions of the Company.
- A detailed Appointment Letter incorporating the role and responsibilities, duties and liabilities, performance evaluation process, and Code of Conduct and obligations on disclosures, is issued for the acceptance of the Independent Directors. The terms of the said letter are also uploaded on the Company's website

- The Company shall on a regular basis (as and when required and considered necessary) brief its Directors inter-alia about the Company's business model, shareholder profile, financial details, the micro finance industry, their roles, rights and responsibilities in the Company.
- Branch visits to various branches are organized for the Independent Directors to enable them to understand the business operations of the Company
- The Board shall also be periodically briefed on the various changes in the regulations governing the conduct of independent directors.

#### **Other Initiatives to Update the Directors on Continuing Basis**

- The Board is updated on a timely basis about the regulatory changes impacting the Company and its functioning and the roles and responsibilities of the Board members.
- Quarterly presentations are made to the Board which includes information on business performance, operations, financial parameters, liquidity management, fund flows, compliances, IT initiatives, Human Resource Update, risk management, investor and customer complaints and its redressals, etc.

#### **Policy Review**

The Board will review this Program and make revisions as may be required.