

MANAPPURAM FINANCE LIMITED (MAFIL) POLICY ON BOARD COMPOSITION AND COMPENSATION POLICY

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MANAPPURAM FINANCE LTD.

Policy on Board composition and Compensation.

(Last reviewed by the board on 25th September 2023)

We, at Manappuram, believe that the best governance practices starts from the board and its composition. We also believe that the synergy of individuals with diverse backgrounds and skillsets at the board level has contributed a lot in bringing this Company to its present heights. Therefore, our commitment to have a competent and highly professional team of board members is an important objective and we seeks to achieve this objective through appropriate policy and procedures which among other things covers the identification and retention of ace professionals as our Board members. In line with the statutory requirement under sections 149 and 178 of the Companies Act, 2013, the provisions of Listing Obligations & Disclosure Requirements Regulations, 2015 (LODR) and the regulatory frame work for Non-Banking Financial Companies (NBFCs) issued by Reserve Bank of India (RBI, latest being issued on the 19 October 2023, the following policies are adopted for the time being to act as the guiding principles in the appointment of Directors and the matters connected therewith.

1) 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.
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
- vi. **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 is any circumstances affecting the independence as provided under Section 149(6).

II) Policy statements:

1. Board Diversity

1.1 The board of Directors of the Company should have a fair combination of executive and non-executive Directors with not less than **50 percent being Non-Executive Directors.**

The Company shall maintain the strength of Independent Directors on its board keeping in mind the regulatory requirements and guidelines on Corporate Governance as per the LODR with the stock exchanges issued from time to time. The ratio of Independent Directors as per the present requirement is one third of the total strength of the board where the board is headed by a Non-Executive chairman and at least half of the Board's strength in case the board is not headed by a regular non-executive Chairman.²

1.2 The Board shall have at least one Women Independent Director.

1.3 The Independent Director to be appointed on 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 and is covered under para 3.9 below.

1.4 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.

The Company shall appoint Directors keeping in mind an ideal diversity in knowledge or expertise that could add value to the overall performance of the board and of the Company. The desired diversity may be fixed by the Nomination committee based on the nature of business of the Company from time to time.

1.5 Process for sourcing , screening and selection of Board Members

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

1.7 . Basic criteria: Qualified to be appointed as s per SEBI and RBI directive in force.

1.8 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. Minimum 3 Years of Experience as Board Member of medium/large companies

1.9 Sourcing: prospective candidates will be sourced as below; Reference from existing members of the Board from among their network In the event no candidates are available through the aforesaid route by appointinga professional search firm by the Board

² 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.

- 1.10 Selection: Names proposed will be vetted by a selection committee set up by the Board. The committee will meet the prospective candidates will recommend candidate/s for filling the position to the Board for further process. Depending on the references and profile of the candidates reviewed wherever deemed fit the Committee may recommend more than one candidate to the Board. .
- 1.11 Wherever found necessary, in the opinion of the members of the committee a third party search may be carried out before on boarding the candidate.
- 1.12 Tenure: Initial term of 3 to years, at the discretion of the Board of Directors and can be considered for reappointment at the discretion of the Board for a similar term on expiry of the initial term.
- 1.13 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.
- 1.14 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.
Notwithstanding anything contained in the above clauses, composition of the Board should always adhere to following guidelines:
- i. Board members are competent to manage the affairs of the company.
 - ii. The composition of the Board has a mix of educational qualification and experience within the Board.
 - iii. Specific expertise of Board members should be a prerequisite depending on the type of business pursued by the Company.

2. Familiarization & Skill enhancement program for Directors

- 2.1 The Board may on the recommendation of the Nomination committee devise a familiarization program for Directors so as to give a fair understanding about the Company, its business and the general industry environment in which the Company and its subsidiaries are operating. This may be arranged by way of interactive sessions with Chairman of the Board, senior Directors, Managing Director and other Key management personnel of the Company. In addition, the board may put in place an induction manual for Directors as it may deem fit.
- 2.2 A newly appointed Non-Executive Director may be given the opportunity to familiarize himself with the Company.
- 2.3 In addition to the familiarization program, the board may, if it thinks so, organize director's skill refreshment programs or workshop on topic relevant to the Directors/Company or nominate to programs organized by industry associations professional bodies.

3. Assessment of independence & Fit and proper criteria.

- 3.1 While considering the appointment of an Independent Director, the Nomination committee and the board shall ensure that the incumbent satisfies the test of independence as provided under 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.
- 3.2 To achieve the above objectives, the board may obtain proper declarations from the appointee/ Directors at the time of appointment and at such intervals as the board may deem fit.

- 3.3 In case of appointment of executive Directors, non-executive Directors or Independent Directors, the Nomination committee and the board shall ensure that they meet the fit and proper criteria prescribed by the Reserve Bank of India from time to time and maintains the position during their tenure in office. The Company shall obtain the declarations in the manner prescribed by RBI as applicable to the Company from time to time from all appointees and review the same.
- 3.4 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 given at Annexure C.
- 3.5 All the declarations made by the directors at the time of appointment/reappointment shall be scrutinized by the Nomination Committee.
- 3.6 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.
- 3.7 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.
- 3.8 The board shall ensure that nominated/elected Directors execute the Deeds of Covenants in the format given in Annexure B. and any other covenants that the Board may approve during the tenure of the Director appointed .
- 3.9 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 2022. This condition will not apply to existing Independent members on the board until 1 October 2024 as prescribed under SBR of RBI
- 3.10 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.
- 3.11 The Committee and the Board shall review the position of any existing or 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.
- 3.12 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

3.13 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.

3.14 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

3.15 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.

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

4.1 The 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

4.2 The Company shall select persons normally with the maximum age of 75 years and the minimum age as prescribed by the provisions of Companies Act, 2013, LODR and direction/guideline from RBI from time to time, for new appointments to the position of Independent Directors and non-executive Directors. No listed entity shall appoint a person or continue the Directorship of any person as a non-executive Director who 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.

5. Review of performance of Independent Directors

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

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

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

6. Compensation of Executive and Non-Executive Directors.

- 6.1 On the recommendation of the Nomination Committee, the board will fix the remuneration of Non-Executive Directors (including Independent Directors).
The approval of shareholders by special resolution shall be obtained every year, in which the annual remuneration payable to a single Non-Executive Director exceeds fifty percent of the total remuneration payable to all Non-Executive Directors, giving details of the remuneration thereof.
- 6.2 Non-Executive Directors other than nominee Directors shall be entitled for sitting fees for attending board/ committee meetings at such rate as may be approved by the board from time to time.
- 6.3 In addition to the sitting fees, the Company will bear or reimburse the normal travelling, boarding and lodging expenses of Directors incurred for the purpose of attending board/ committee meetings or for attending any other duties on behalf of the Company.
- 6.4 Subject to the compliance with the provisions of Companies Act, 2013, the board may on the recommendation of the Nomination committee after 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.
- 6.5 Where a Director has left the Company before the completion of a financial year or before approving the payment of commission by the board, the board may in its absolute discretion sanction such amount as commission to such Director for his services during the period for which the commission was fixed.
- 6.6 Remuneration of executive Directors shall be fixed by the Board on the basis of the recommendation of the Nomination committee. The remuneration of the executive Directors shall be a combination of fixed monthly salary in terms of their appointments as approved by the board/ shareholders, as required, and a performance based annual commission to be decided by the board on the recommendation of the Nomination committee.

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

- (i) the annual remuneration payable to such executive Director exceeds rupees 5 crore or 2 .5 per cent of the net profits of the listed entity, whichever is higher; or
- (ii) where there is more than one such Director, the aggregate annual remuneration to such Directors exceeds 5 per cent of the net profits of the listed entity:
Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such Director.
Explanation: For the purposes of this clause, net profits shall be calculated as per section 198 of the Companies Act, 2013

6.7 The performance parameters to be applicable to the executive Directors, the minimum and maximum amount of commission payable in line with the achievement of various targets/ parameters will be decided by the Nomination committee from time to time.

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

- 7.1 The board may identify suitable persons to be appointed to the board positions for filling up vacancies.
- 7.2 The vacancies caused by the exit of an Independent Director may be filled by the appointment of an Independent Director. However, if the vacancy does not affect the strength of the minimum required Independent Directors, the board may or may not fill the vacancy as it may deem fit.
- 7.3 Suitable candidates may be identified by the Directors from reputable references or from data banks maintained by industry associations, professional bodies or nongovernmental organizations or by inviting applications through any media.
- 7.4 Vacancies in senior positions in the Company may be filled by a system of promotion of existing employees based on appropriate screening procedures set by the Nomination committee from time to time. Wherever felt necessary filling senior positions may be resorted to with the prior approval of the NRC/Board
- 7.5 Company may identify critical positions and shall devise a system of proper mentoring to identify officers of the Company to take up the senior positions wherever a vacancy is caused to ensure the business continuity and as part of succession planning exercise in the best interest of the Company.

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

In accordance with the regulatory requirements the Company has proposed a compensation policy as attached as **Annexure A** to this policy. The policy will be applicable to KMPs including Whole time Directors and Senior Management personnel (SMPs)

9. Applicability of Laws/ regulations/ guidelines

Changes in underlying laws/ regulations or guidelines may supersede the provisions of this policy. At any time if there is any amendment to the applicable laws or regulations or

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

10. Applicability of the policy

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

11. 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 A

Manappuram Finance Ltd

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 Governances Committee (“NRC”) shall mean a committee of the Board having the constitution, powers, functions, and duties as laid down in section 178 of the Companies Act, 2013, applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, RBI Guidelines and other applicable legal provisions.

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.

5. Compensation Structure

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

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, will 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 upto 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.

Appendix XXIII-B

Form of Deed of Covenants with a Director of an NBFC

THIS DEED OF COVENANTS is made on this day of Two Thousand.....BETWEEN Manappuram Finance Limited having its registered office at W-4/638A Manappuram House, P O Valapad, Thrissur-680567 (hereinafter called the "NBFC") of the one part and Mr./Ms. of (hereinafter called the "Director") of the other part.

WHEREAS

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

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

NOW IT IS HEREBY AGREED AND THIS DEED OF COVENANTS WITNESSETH AS FOLLOWS:

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

2. The director covenants with the NBFC that:

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

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

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

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

- (a) use such degree of skill as may be reasonable to expect from a person with his/her knowledge or experience.
- (b) in the performance of his/her duties take such care as he/she might be reasonably expected to take on his/her own behalf and exercise any power vested in him/her in good faith and in the interests of the NBFC.
- (c) shall keep himself/herself informed about the business, activities, and financial status of the NBFC to the extent disclosed to him/her.
- (d) attend meetings of the Board and Committees thereof (collectively for the sake of brevity hereinafter referred to as "Board") with fair regularity and conscientiously fulfil his/ her obligations as director of the NBFC.
- (e) shall not seek to influence any decision of the Board for any consideration other than in the interests of the NBFC.
- (f) shall bring independent judgment to bear on all matters affecting the NBFC brought before the Board including but not limited to statutory compliances, performance reviews, compliances with internal control systems and procedures, key executive appointments, and standards of conduct.
- (g) shall in exercise of his/her judgement in matters brought before the Board or entrusted to him/her by the Board be free from any business or other relationship which could materially interfere with the exercise of his/her independent judgement; and
- (h) shall express his/her views and opinions at Board meetings without any fear or favour and without any influence on exercise of his/her independent judgement.
- (v) The director shall have:
 - (a) fiduciary duty to act in good faith and in the interests of the NBFC and not for any collateral purpose.
 - (b) duty to act only within the powers as laid down by the NBFC's Memorandum and Articles of Association and by applicable laws and regulations; and
 - (c) duty to acquire proper understanding of the business of the NBFC.
- (vi) The director shall:
 - (a) not evade responsibility in regard to matters entrusted to him/her by the Board.
 - (b) not interfere in the performance of their duties by the whole-time directors and other officers of the NBFC and wherever the director has reasons to believe otherwise, he/ she shall forthwith disclose his/her concerns to the Board; and

- (c) not make improper use of information disclosed to him/her as a member of the Board for his/her or someone else's advantage or benefit and shall use the information disclosed to

him/her by the NBFC in his/her capacity as director of the NBFC only for the purposes of performance of his/her duties as a director and not for any other purpose.

3. The NBFC covenants with the director that:

(i) the NBFC shall apprise the director about:

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

(b) control systems and procedures.

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

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

(e) corporate policies and procedures.

(f) insider dealing restrictions.

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

(h) appointments of Senior Executives and their authority.

(i) remuneration policy.

(j) deliberations of committees of the Board, and

(k) communicate any changes in policies, procedures, control systems, applicable regulations including Memorandum and Articles of Association of the NBFC, delegation of authority, Senior Executives, etc. and appoint the compliance officer who shall be responsible for all statutory and legal compliance.

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

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

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

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

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

- (d) corporate and management controls and systems including procedures.
 - (e) economic features and marketing environment.
 - (f) information and updates as appropriate on NBFC's products.
 - (g) information and updates on major expenditure.
 - (h) periodic reviews of performance of the NBFC; and
 - (i) report periodically about implementation of strategic initiatives and plans.
- (iv) the NBFC shall communicate outcome of Board deliberations to directors and concerned personnel and prepare and circulate minutes of the meeting of Board to directors in a timely manner and to the extent possible within two business days of the date of conclusion of the Board meeting; and
- (v) advise the director about the levels of authority delegated in matters placed before the Board.
4. The NBFC shall provide to the director periodic reports on the functioning of internal control system including effectiveness thereof.
5. The NBFC shall appoint a compliance officer who shall be a senior executive reporting to the Board and be responsible for setting forth policies and procedures and shall monitor adherence to the applicable laws and regulations and policies and procedures including but not limited to directions of the Reserve Bank and other concerned statutory and Governmental authorities.
6. The director shall not assign, transfer, sublet or encumber his/her office and his/her rights and obligations as director of the NBFC to any third party provided that nothing herein contained shall be construed to prohibit delegation of any authority, power, function or delegation by the Board or any committee thereof subject to applicable laws and regulations including Memorandum and Articles of Association of the NBFC.
7. The failure on the part of either party hereto to perform, discharge, observe or comply with any obligation or duty shall not be deemed to be a waiver thereof nor shall it operate as a bar to the performance, observance, discharge, or compliance thereof at any time or times thereafter.
8. Any and all amendments and/or supplements and/or alterations to this Deed of Covenants shall be valid and effectual, only if in writing and signed by the director and the duly authorised representative of the NBFC.
9. This Deed of Covenants has been executed in duplicate and both the copies shall be deemed to be originals.

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

For the NBFC	Director	
By.....		
Name.	Name.	
Title:		
In the Presence of:		
1		2

Declaration and Undertaking by Director

Name of the NBFC: _____

Declaration and Undertaking by Director (with enclosures as appropriate as on _____)	
I. Personal details of Director	
a. Full Name	
b. Date of Birth	
c. Educational Qualifications	
d. Relevant Background and Experience	
e. Permanent Address	
f. Present Address	
g. E-mail Address/Telephone Number	
h. Permanent Account Number under the Income Tax Act, 1961 and name and address of Income Tax Circle	
i. Relevant knowledge and experience	
j. Any other information relevant to the Directorship of the NBFC	
II. Relevant Relationships of Director	
a. List of relatives, if any, who are connected with the NBFC (Refer section 6 and Schedule 1A of the Companies Act, 1956 and corresponding provisions of Companies Act, 2013)	
b. List of entities, if any, in which he/she is considered as being interested (Refer section 299(3)(a) and section 300 of the Companies Act, 1956 and corresponding provisions of Companies Act, 2013)	
c. List of entities in which he/she is considered as holding substantial interest within the meaning of paragraph 5.1.33 of these. Directions	
d. Name of NBFC in which he/she is or has been a member of the board (giving details of period during which such office was held)	
e. Fund and non-fund facilities, if any, presently availed of by him/her and/or by entities listed in II (b) and (c) above from the NBFC	
f. Cases, if any, where the director or entities listed in II (b) and (c) above are in default or have been in default in the past in respect of credit facilities obtained from the NBFC or any other NBFC/bank	
III. Records of professional achievements	
a. Relevant professional achievements	

IV. Proceedings, if any, against the Director	
a. If the director is a member of a professional association/body, details of disciplinary action, if any, pending or commenced or resulting in conviction in the past against him/her or whether he/she has been banned from entry into any profession/occupation at any time	
b. Details of prosecution, if any, pending or commenced or resulting in conviction in the past against the director and/or against any of the entities listed in II (b) and (c) above for violation of economic laws and regulations	
c. Details of criminal prosecution, if any, pending or commenced or resulting in conviction in the last five years against the director	
d. Whether the director attracts any of the disqualifications envisaged under section 274 of the Companies Act 1956 and corresponding provisions of Companies Act, 2013?	
e. Has the director or any of the entities at II (b) and (c) above been subject to any investigation at the instance of Government department or agency?	
f. Has the director at any time been found guilty of violation of rules/regulations/legislative requirements by customs/excise/income tax/ foreign exchange/other revenue authorities? If so, give particulars	
g. Whether the director has at any time come to the adverse notice of a regulator such as SEBI, IRDA, MCA.	
(Though it shall not be necessary for a candidate to mention in the column about orders and findings made by the regulators which have been later on reversed/set aside in to, it would be necessary to make a mention of the same in case the reversal/setting aside is on technical reasons like limitation or lack of jurisdiction, etc., and not on merit. If the order of the regulator is temporarily stayed, and the appellate/court proceedings are pending, the same also should be mentioned.)	
V. Any other explanation/information in regard to items I to III and other information considered relevant for judging 'fit and proper'	
Undertaking	

<p>I confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the NBFC fully informed, as soon as possible, of all events which take place subsequent to my appointment which are relevant to the information provided above.</p>	
<p>I also undertake to execute the Deed of Covenant required to be executed by all the directors of the NBFC.</p>	
Place:	Signature:
Date:	
<p>VI. Remarks of Chairman of Nomination and Remuneration Committee/ Board of Directors of NBFC</p>	
Place:	Signature:
Date:	