



**MUTHOOT MICROFIN LIMITED**

**NOMINATION AND REMUNERATION POLICY**

The Board of Directors of Muthoot Microfin Limited (“the Company”) constituted the “Nomination and Remuneration Committee” at the Meeting held on 01.12.2015 with immediate effect, consisting of three (3) Non-Executive Directors of which majority are Independent Director.

## 1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 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. 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. identifying individuals suitably qualified to be appointed as the KMPs or in the senior management of the Company;

- c. recommending to the Board on the selection of individuals nominated for directorship;
- d. making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Managements so appointed/reappointed;
- e. assessing the independence of independent directors;
- f. 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.
- g. 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;
- h. ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

#### **4. COMPOSITION OF NOMINATION & REMUNEERATION COMMITTEE**

The Board of Directors of the Company at their meeting held on 01.12.2015 have formed a Nomination & Remuneration Committee comprising of following persons;

Alok Prasad	- Independent Director
Kenneth Dan Vander Weele	-Non-Executive Director
Thomas John Muthoot	- Director
Thomas Muthoot	- Director

#### **5. APPOINTMENT OF DIRECTORS/KMPs/SENIOR MANAGEMENT**

- a. Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP/a level below KMP are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board. When recommending a candidate for appointment, the Nomination and Remuneration Committee has regard to:
  - assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;
  - the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
  - the skills and experience that the appointee brings to the role of KMP/Senior Management and how an appointee will enhance the skill sets and experience of the Board as a whole;
  - the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgment;
- b. Personal specifications:
  - Degree holder in relevant disciplines;
  - Experience of management in a diverse organization;
  - Excellent interpersonal, communication and representational skills;
  - Demonstrable leadership skills;

- Commitment to high standards of ethics, personal integrity and probity;
- Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;
- Having continuous professional development to refresh knowledge and skills.

## **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. (i) who is or was not a promoter of the company or its holding, subsidiary or associate company; (ii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- c. who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- d. none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- e. who, neither himself nor any of his relatives—
  - (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 in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
  - (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; or
- f. who possesses such other qualifications as may be prescribed.

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

## **8. 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.

## **9. 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.

## **10. 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.

## **11. POLICY REVIEW**

In case of any subsequent changes in the provisions of the Companies Act, 2013 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

- **“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.
- **“Directors”** means and include Managing Director, Whole-Time Director and Non-Executive Director(s)
- **“Board”** means Board of Directors of the Company.
- **“Policy”** means Policy for ‘Fit and Proper’ Criteria in respect Of Directors
- **“Company”** means the Muthoot Microfin Limited.

### 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 the RBI on a quarterly basis (no 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 auditors of the Company 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, the Directors of the Company should undergo appropriate induction training to familiarize them with the Company, its business and model, their roles and responsibilities in the Company. 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.

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

The new 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
- List of Contact details of the Directors, 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 Executive Directors / Senior Managerial Personnel conduct programs / presentations periodically to familiarize the Independent Directors with the strategy, operations and functions of the Company.
- 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.
- The Board shall also be periodically briefed on the various changes in the regulations governing the conduct of independent directors.

### **Policy Review**

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

