

Muthoot Fincorp Limited

NOMINATION & REMUNERATION POLICY

(Framed and approved by the Board 27.03.2015)

Date of Revision and approval by Board: 08.01.2018

Introduction

The Nomination and Remuneration Committee (NRC) has formulated the criteria for determining qualifications, positive attributes and independence of Directors and recommended to the Board a Policy, relating to the remuneration for the Directors, Key Managerial Personnel (KMP) and other employees of the Company in terms of the provisions of Section 178 (3) of the Companies Act, 2013 (the Act).

I. Criteria for determining qualifications, positive attributes and independence of Directors:

Qualifications

The nomination process in the NRC/Board is transparent for encouraging diversity of thorough knowledge, experience, age and gender. The candidate shall possess managerial/business/ administrative qualifications and experience spread over more than a decade in diverse areas particularly, finance, banking and general management. While recommending the appointment the NRC shall consider the manner in which the function and domain expertise of the individual will contribute to the various functions of the Company.

The candidate shall be free from any disqualifications as provided under Sections 164 and 167 of the Act.

The candidate shall also meet the “Fit and Proper Criteria” as per the “Non-Banking Financial Companies – Corporate Governance (Reserve Bank) Directions”.

Positive attributes

The Directors on the Board of the Company have to discharge their duties under the Act and other laws diligently and are expected to demonstrate high standards of ethical behavior, strong interpersonal and communication skills and soundness of judgment. Independent Directors are also governed by the “Code for Independent Directors” as given in Schedule IV to the Act.

Independence

An Independent Director shall meet the criteria for “Independent Director” as laid down in Section 149 of the Act.

II. Remuneration policy

The Company has adopted the remuneration policy for the Directors, KMPs and other employees pursuant to the provisions of the Act based on the following criteria.

- i. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully.
- ii. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks and;
- iii. Remuneration to Directors, KMPs and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

a) Remuneration of Managing Director, Whole Time Director and Manager:

The Committee while considering the remuneration of the Managing Director, the Whole Time Director and Manager (wherein there is no Managing Director), shall take into consideration the performance of the Company vis-à-vis the budgets as well as performance

of its competitors, the experience of the person, his background, job-profile and suitability, his past remuneration, the comparative remuneration profile in the industry, size of the Company, responsibilities shouldered by the Managing Director / Whole Time Director etc. Any remuneration considered by the Committee shall be in accordance and within the limits stipulated under the Act.

b) Remuneration of Non-Executive Director (NED)

- a) The remuneration to the NEDs is restricted to the sitting fees for attending meetings of the Board of Directors/ Committees of the Board. Commission can also be paid to them as a percentage of profits as per the provisions of the Companies Act, 2013.
- b) The Independent Directors of the Company shall be entitled to remuneration restricted to the sitting fees for attending meetings of the Board of Directors/ Committees of the Board provided that any sitting fees paid to the Independent Director shall not be less than the sitting fees paid to NEDs.
- c) Independent Directors shall not be eligible for stock options of the Company, if any.

Any incidental expense incurred by the Directors with relation to the participation in the meetings of the Board and other Committees of the Board shall be reimbursed.

c) Remuneration of KMPs, Senior Management and Other Employees.

The Remuneration of the KMPs, Senior Management and Other Employees shall be in accordance with the Policy of the Company which is applicable to the employees. The Committee may consider the remuneration of KMPs, Senior Management and Other Employees keeping in view of the performance of the business/ function under his control and also the contribution of the business/ function under his control towards the overall performance of the Company.

Any amendment to the above policy shall be subject to the prior approval of the NRC and the Board of Directors.