

Muthootu Mini Financiers Limited

Nomination, Remuneration & Evaluation Policy

Approved in BM dated 01/09/2014

PREAMBLE

As per the provisions of Section 178 (3) of the Companies Act, 2013 and Clause 49(IV) of the Listing Agreement, every listed company shall constitute a Nomination and Remuneration Committee and such Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down and recommend to the Board their appointment and removal.

The committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees.

Further Sections 134 & 149 of the Companies Act, 2013 requires every listed company to have a formal evaluation mechanism to evaluate the performance of the Board, its committees and Individual directors. Section 178 of the Companies Act further provides that Nomination & Remuneration Committee of the company shall carry out evaluation of every Director's performance.

In compliance of the above requirements, MMFL being a Debt Listed Company has constituted a Nomination and Remuneration Committee and the Committee has formulated a Nomination, Remuneration and Evaluation Policy to provide a framework and set standards for the nomination and remuneration of the Directors, Key Managerial Personnel and Other employees and evaluation of the Directors. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

Definitions

Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to

time;

Board means Board of Directors of the Company;

Director means a director appointed to the Board of the Company and includes Whole-time Directors, Non-Executive Directors(s) and Independent Directors.

Key Managerial Personnel (KMP) means

Managing Director

Wholetime Director

Chief Financial Officer and

Company Secretary

Nomination & Remuneration Committee of the Company means a sub-committee of the Board constituted in accordance with the provisions of Section 178(1) of the Act

Senior Management means to include all members other than the Directors and KMPs of the Company who are the members of its core management team excluding the Board of Directors including Functional Heads.

Objectives of Nomination & Remuneration Committee

The Nomination and Remuneration Committee is responsible for:

1. Reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board 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.
2. Identifying individuals suitably qualified to be appointed as Directors and those who may be appointed as KMP's of the Company.
3. Recommending to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees, as may be referred .
4. Ensuring that level and composition of remuneration is reasonable and sufficient and relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

5. Assessing the independence of independent directors.
6. Evaluating the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board members.
7. Making recommendations to the Board concerning any matters relating to the continuation in office of any Director, subject to the provisions of law and their service contracts.
8. Devising a policy on Board diversity.
9. Such other key issues or matters as may be referred by the Board or as may be necessary in view of the Listing Agreement and provisions of the Act and Rules made thereunder.

Appointment criteria and qualifications

The Committee shall identify and ascertain the qualification, expertise, industry experience, integrity, back ground and other qualities of the persons for appointment as Director or as KMP 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 concerned.

The Committee shall assess the criteria of independence fulfilled by the appointee in case of recommending a person for appointment / re-appointment as Independent Director.

The Committee shall consider the extent to which the person proposed to be appointed as Director, is likely to contribute to the overall effectiveness of the Board and work constructively with the existing directors and enhance the efficiencies of the Company.

The Committee shall consider the nature of existing positions held by the appointee including directorships or other relationships and the impact it may have on the appointee's ability to exercise independent judgement.

The Committee shall consider the appointment of any person who has attained the age of 70 years as Whole-time Director, only with the approval of shareholders by passing a special

resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for such appointment.

The Committee shall ensure that formal letter of appointment is given to the independent directors at time of their appointment.

Term / Tenure

The Committee shall recommend the appointment or re-appointment of any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time.

The Committee shall recommend appointment or re-appointment of any person as independent director for a term upto five consecutive years and also ensuring that no independent director is holding office for more than two consecutive terms.

Recommending to the Board, appointment of KMPs / Senior Management as per the provisions of the Act and policy of the Company.

Removal

The Committee may recommend, to the Board due to reasons of any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder and the same recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Act, rules and regulations.

Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position or otherwise, even after attaining the retirement age, for the benefit of the Company.

Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel

Remuneration for Whole-time / Non-Executive / Independent Directors

The remuneration including commission payable to Whole-time Directors will be determined by the Committee in accordance with the provisions of the Articles of Association of the Company and the Act and recommended to the Board for approval, subject to the approval of the shareholders of the Company and Central Government, wherever required.

The Committee shall ensure that 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.

If in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director/ Managing Director in accordance with the provisions of Schedule V of the Act.

Increments to the existing remuneration structure may be recommended by the Committee to the Board which should be within the limits approved by the shareholders.

Where any insurance is taken by the Company on behalf of its Directors, for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to them. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

Non-Executive and Independent Directors shall receive remuneration by way of sitting fees for attending the meetings of Board and sub-committees of the Board, in which they hold

membership / chairmanship as the case may be. Sitting fee payable shall be fixed and approved by the Board within the limits as prescribed in the Act.

Remuneration for Key Managerial Personnel and Other Employees

The Committee shall take into account the qualification, industry experience, integrity of the appointee, existing remuneration level for similar positions in other companies operating in the same sector etc. while fixing the remuneration payable to the KMPs. The remuneration to be fixed for the Senior Management Personnel has been assigned to be decided by the Managing Director. The remuneration payable shall be structured in such way that it consists of fixed and variable pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

EVALUATION CRITERIA FOR THE BOARD:

Performance Evaluation of Board

As per the provisions of Section 134 and 178 of the Companies Act, 2013, the performance of the Board of a Company is to be evaluated annually by the Nomination and Remuneration Committee and a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors shall be mentioned in the Board's report.

The Company's Board consists of optimum combination of Executive and Non-Executive Directors and performance evaluation of the Board as a whole, each individual director and sub-committees of the Board is to be carried out, to ensure that with the efficient performance of the Board, the Company's objectives are achieved and stakeholders' expectations are met.

In each Financial Year the Board will undertake the following activities:

1. The Board shall discuss the operating and financial performance, strategic proposals,

risk management and key appointments and standards of conduct.

2. The Board shall ensure that the Company has adopted best governance practices in all spheres of its operations which results in enhanced value for the stakeholders.
3. The Board as a whole will discuss and analyse its own performance during the year.
4. The Board shall review the performance of Independent Directors, excluding the Director being evaluated.
5. The Board shall review from time to time the necessity of forming any sub-committees of the Board and delegating certain of its powers, duties and responsibilities to such sub-committees.
6. The Board shall review the terms of reference of the sub-committees to ensure that these are in line with the provisions of the Act, Listing Agreement or such other regulations that may in force.
7. The Board shall review the adequacy of number of meetings and provide suggestions for improving Board deliberations.
8. The Board shall ensure that minimum information is made available to the Board as specified in Annexure / Schedule to the Listing Agreement.
9. The Board shall ensure that as per the provisions of the Act and Listing Agreement, matters which are to be discussed and decided in Board meeting are placed and decided at the Board Meeting.
10. The Board shall from time to time review those matters which have a bearing on the operations / performance of the Company and needs to be compulsorily informed to the exchange.

Independent Directors of the Company shall hold at least one meeting in a year and consider the following:

1. Review the performance of non-independent Directors and the Board as a whole.
Review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors.
2. Assess the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.
3. Criteria for evaluation of the performance of the Board.

The Board will assess its performance with regard to the following aspects:

1. Analysing the operational activities and financial indicators of the Company.
2. Understanding the enterprise risk and suggesting mitigation procedures for the risks identified.
3. Analysis of the budgets and strategic proposals of the Company and its periodical review.
4. Ability to take appropriate decisions for the proposals placed before the Board.
5. Reviewing the future roadmap of the Company and giving suggestive measures.
6. Awareness about the industry in which the Company operates
7. Monitoring of all statutory compliance.

8. Implementation of various policies approved by the Board.

9. Preparedness in dealing with unforeseen crises

Contribution to Board deliberations with regard to important policy matters and strategic proposals.

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EVALUATION CRITERIA FOR INDEPENDENT DIRECTOR:

A. Personal Traits

1.Highest personal and professional ethics, integrity, values and Independence.

2.Inquisitive and objective perspective, practical wisdom and mature judgment

3.Contribution to Board deliberations

B. Other Criteria

1.Willingness to devote sufficient time to carry out the duties and responsibilities effectively, including attendance at meetings

2.To act in the best interest of minority shareholders of the Company.

3.Absence of personal and business relationships that would pose a conflict of interest with the best interests of the Company.

4.Compliance with the definition of Independent Director as provided in the Companies Act 2013 & Listing Agreement.

5.Monitoring the implementation of Corporate Governance guidelines and conflict of interest policy adopted by the Company.

EVALUATION CRITERIA FOR INDIVIDUAL DIRECTORS

Individual Director's performance will be evaluated considering the following:

1. Active participation in the Board deliberations and attendance in meetings.
2. Contribution in practice of Corporate governance by the Company.
3. Leadership through vision and values.
4. Strategic thinking and decision making.
5. Providing guidance to the Management
6. Contribution to resolution of divergent views.

EVALUATION CRITERIA FOR CHAIRMAN

1. Ensuring effectiveness in conduct of Board Meetings & Share Holder Meetings
2. Ensuring that matters are discussed at the Board Meetings in a structured way in order to achieve a balanced decision
3. Proactive role in the Board & Committee Evaluation
4. Acting as a facilitator of the Agenda for the Board Meetings and monitoring finalisation of Minutes

BOARD DIVERSITY

The Company recognises the benefits of a Board that possesses a balance of skills, experience, expertise and diversity of perspectives is appropriate to the requirements of the business of the Company.

The Company maintains that Board appointment should be based on merit, skills, experience and expertise and also takes into account gender, age, professional experience and qualifications, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving a diverse Board.

Based on the recommendation of the Nomination and Remuneration Committee, the Board of the Company is responsible for reviewing the structure, size and composition of the Board and the appointment of new directors from time to time to ensure that the Board of the Company consists of an optimum composition of skills, experience and expertise which is appropriate to achieve the desired goals of the Company.
