



MUTHOOTCAPITAL SERVICES LIMITED (MCSL)

CIN: L67120KL1994PLC007726

POLICY ON NOMINATION AND REMUNERATION

This Policy was approved by the Board on November 05, 2014 and reviewed on May 19, 2023.

Version Control:

Sl. No.	Name of Policy	Version	Board approval date	Remarks
1.	Policy on Nomination & Remuneration	v1.0	05/11/2014	Policy document approved
2.	Policy on Nomination & Remuneration	v1.1	19/05/2023 (effective from April 01, 2023)	<ul style="list-style-type: none">• Replaced Director Mrs. Radha Unni by Mrs. Shirley Thomas• Redrafting Clause no. iii of Remuneration Policy with respect to RBI guidelines

POLICY ON NOMINATION AND REMUNERATION

INTRODUCTION

In accordance with the provisions of Section 178 of the Companies Act, 2013, the Board of Directors of Muthoot Capital Services Limited (the Company) at its meeting held on 28th March, 2019 re-constituted the Nomination and Remuneration Committee of the Board of Directors to comprise of the following directors:

1. Mr. A.P Kurian - Director (Chairman of the Committee)
2. Mr. Thomas Mathew - Director
3. Ms. Shirley Thomas - Director

(the composition of the Committee shall change in accordance with decisions of the Board)

The Board has inter-alia delegated the responsibility to the Committee to:

- a. 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;
- b. Formulate the criteria for evaluation of Independent Directors and the Board;

The Committee shall be guided by the broad principles as laid down below in respect of nominating persons to hold office of Director, Senior Management including Key Managerial Personnel, recommending the remuneration payable and evaluation of their performance.

CRITERIA FOR SELECTION OF MEMBERS ON THE BOARD OF DIRECTORS AND CANDIDATES FOR SENIOR MANAGEMENT

The Committee has adopted the following criteria for selection of Members on the Board of Directors of the Company and also candidates eligible to be appointed in the Senior Management of the Company.

(i) Criteria for Selection of Directors

Before making any recommendation to the Board for appointment of any Director, the Committee shall ensure that:

The candidate possesses managerial/business/administrative qualifications and experience spread over two or more decades in diverse areas particularly finance, banking and general management; the candidate shall be free from any disqualifications as provided under Sections 164 and 167 of the Companies Act, 2013.

In case of appointment of an Independent Director, the candidate meets the conditions of being independent as stipulated under the Companies Act, 2013 and Listing Agreement entered into with Stock Exchanges; the candidate possesses appropriate skills, experience and knowledge in one or

more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, infrastructure, or such other areas or disciplines which are relevant for the Company's business; and the candidate also complies with the "Fit & Proper" criteria as laid down by the policy of the Company.

(ii) Criteria for Selection of Senior Management Personnel

The term Senior Management shall have the same meaning as provided under the explanation to Section 178 of the Companies Act, 2013.

The Committee shall, before making any recommendation to the Board for appointment, should ensure that the candidate has the attributes set forth below:

The candidate should have a minimum experience of 10 years in any of the areas viz. banking, infrastructure, financial management, legal, sales, marketing, administration, research, corporate governance, technical operations, or such other areas or disciplines which in the opinion of the Committee are relevant for the Company's business; and

The candidate should possess qualities that demonstrate leadership skills, decision making skills, effective communication, hard work, commitment and such other attributes which in the opinion of the Committee are in the interest of the Company.

If the Committee, in its opinion finds that the candidate meets the above criteria for appointment (as Director on the Board or in Senior Management position), it shall make its recommendation to the Board. Any amendment to the above criteria for Directors and Senior Management shall be subject to the prior approval of the Committee and any such amendment shall be informed to the Board of Directors.

EVALUATION OF PERFORMANCE OF DIRECTORS

(i) Evaluation of the performance of Managing Director/Whole Time Director

The performance of the Managing Director/Whole Time Director is to be undertaken taking into consideration several aspects such as his ability to lead his team, his vision and commitment, his drive and managerial ability, in addition to the performance of the Company and his specific contribution to the growth and efficient functioning of the Company.

(ii) Evaluation of the performance of Non-Executive Directors and Independent Directors (NEDs and IDs)

The Committee while evaluating the performance of the NEDs and IDs, shall take into consideration various factors as mentioned below:

- a) Understanding and knowledge of the market in which the Company is operating;
- b) Ability to appreciate the working of the Company and the challenges it faces;

- c) Attendance of meeting;
- d) Extend of participation and involvement in the meetings;
- e) Ability to convey his views and flexibility to work with others;

Marks may be assigned for each of the above criteria and based on the score achieved, the Board may evaluate the performance of each NED and ID.

For the evaluation of Non-Independent Directors by the Independent Directors as per the requirements of Corporate Governance norms, the Independent Directors may adopt any method of evaluation.

(iii) Criteria for Evaluation of the Board and its Committees

The Committee has laid down the following criteria for performance evaluation of the Board:

Review the performance of Non-Independent Directors and the Board as a whole;

- a) Review the performance of the Chairperson of the Company taking into account the views of Executive Directors and NEDs; and
- b) 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.
- c) The performance of the Committees shall be evaluated based on the following:
 - Composition of the Committees;
 - Effectiveness of the Committee meetings with respect to the terms of reference; and
 - Conduct of meetings and procedures followed.

REMUNERATION POLICY

The Committee has formulated a policy on remuneration for Directors, KMP and other employees.

The features of the same are as given below:

(i) 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, 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/ Manager etc., provided that any remuneration considered by the Committee shall be in accordance and within the limits stipulated under the Companies Act, 2013.

(ii) Remuneration of Non-Executive Director (NED)

The remuneration to the NEDs may be restricted to the sitting fees for attending meetings of the Board of Directors. The Independent Directors of the Company shall be entitled to remuneration restricted to the sitting fees for attending meetings of the Board of Directors provided that any sitting fees paid to the Independent Director shall not be less than the sitting fees paid to NED.

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 Sub-Committees shall be reimbursed.

(iii) Remuneration to KMPs and SMPs:

The remuneration of the Senior Management Personnel and KMPs shall be in accordance with the Policy of the Company. The Committee may consider the remuneration of a Senior Management Personnel 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.

a) Regular Pay:

The KMPs and SMPs including functional heads, shall be eligible for a monthly remuneration as per Company's Policy, which will consist of Fixed Components including perquisites and statutory benefits to attract, retain and motivate KMPs and SMPs to attain the short and long term performance objectives of the Company.

b) Profit related ex-gratia / performance-based remuneration:

Subject to approval of the Board, in addition to the fixed remuneration, to motivate executives to pursue the long-term growth and success of the Company, KMPs and SMPs are entitled to receive performance-based incentive / stock options under ESOP Plan. The Performance Based Annual Incentive (annual variable pay) of executives will be linked directly to the performance of the relevant employee, business unit and the Company in accordance with the Employees Incentive Scheme of the Company as formulated from time to time. Employees may be eligible for ESOPs as per the ESOP scheme/plan approved by the Shareholders and in force from time to time. The objective of the ESOP scheme/plan will be to reward employees for their contribution to the long-term growth and profitability of the Company by providing a platform to share the value they create for the Company.

Present Remuneration structure is mentioned below:

	FIXED CTC	VARIABLE	ESOP
Managing Director	85%	15% of CTC	Nil
Chief Finance Officer	90%	10% of CTC	45% of CTC
Chief Executive Officer	93%	7% of CTC	Nil
Chief Risk Officer	91%	9% of CTC	Nil
Company Secretary & Compliance Officer	92%	8% of CTC	Nil

Deferred Variable Pay:

The Board of the Company upon recommendation of NRC may decide the quantum/portion of variable pay (cash and non-cash components) that will be subject to deferral to senior employees and KMPs based on the time horizon of the risks.

Malus / Clawback

A malus arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred. A clawback is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances.

The deferred compensation may be subject to malus / clawback arrangements in the event of subdued or negative financial performance of the company and/or the relevant line of business or employee misconduct in any year. Upon occurrence of these or similar events, the Company may prompt to invoke the malus and clawback clauses that may be applicable on entire variable pay. While setting criteria for the application of malus and clawback, the Company may specify a period during which malus and/or clawback can be applied, covering at least the deferral and retention periods (a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed).

c) APPOINTMENT AND REMUNERATION OF OTHER EMPLOYEES OF THE COMPANY

The terms of appointment and remuneration of employees of the Company (other than Managing Director, KMPs and SMPs including functional heads) shall be governed by the relevant policies of the Company.

AMENDMENTS & REVIEW OF THE POLICY:

In case of any amendment (s), clarification (s), circular (s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s), etc. shall prevail upon the provisions in this Policy and this Policy shall stand amended accordingly. The Board has the power to replace this Policy entirely with a new policy on recommendation by the Committee.

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