



MUTHOOT CAPITAL SERVICES LIMITED (MCSL)

CIN: L67120KL1994PLC007726

POLICY ON NOMINATION AND REMUNERATION

*(This Policy was last reviewed and approved by the Board
at its Meeting held on May 14, 2025)*

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
3.	Policy on Nomination & Remuneration	V1.2	14/05/2025	<ul style="list-style-type: none">• Incorporated changes in order to better align with the regulatory requirements.

POLICY ON NOMINATION AND REMUNERATION

INTRODUCTION

This Nomination and Remuneration Policy provides the framework for appointment, remuneration to the Members of the Board of Directors (**“Board”**), Key Managerial Personnel (**“KMPs”**), Senior Management Personnel (**“SMPs”**) and other employees of Muthoot Capital Services Limited (**“MCSL” / “the Company”**).

This Policy is guided by the principles and objectives as enumerated in Section 178 of the Companies Act, 2013 and Regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“Listing Regulations”**) to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company.

This Policy is also to comply with Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 read with Annex XXIV Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs (**“RBI Regulations”**) to align the remuneration / compensation packages with prudent risk and ensure that all statutory mandates and the rules and directions issued under them are fully complied with.

TERMS OF REFERENCE

- a) **“Act”** shall mean the Companies Act, 2013 and the Rules framed thereunder as amended from time to time.
- b) **“Committee”** or **“NRC”** means Nomination and Remuneration Committee of the Board of Directors of the Company.
- c) **“Clawback”** is a contractual agreement between the employee and the Company in which the employee agrees to return, forego, compensate to the Company in cash, kind or any other manner previously paid or vested remuneration, perquisites, benefits, amenities, facility to the Company under certain circumstances.
- d) **“Independent Director”** shall mean a Director of the Company who satisfies the criteria for independence under Section 149 of the Act read with Regulation 16 of the Listing Regulations.
- e) **“Key Managerial Personnel”** shall be as defined in Section 2(51) of the Act.
- f) **“Managing Director”** means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called, as defined under Section 2(54) of the Act.

- g) **"Malus"** is an arrangement that permits the Company to prevent vesting of all or part of the amount of a deferred remuneration, perquisite, benefit, amenities or facility.
- h) **"Senior Management Personnel"** means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the whole-time directors including the functional heads as provided in 'Explanation' to Section 178 of the Companies Act, 2013.

NRC will review the list of SMPs identified based on their functional role from time-to-time.

- i) **"Whole-Time Director"** means a Director in the whole-time employment of the Company, as defined under Section 2(94) of the Act.

OBJECTIVES

The Objectives of the Policy are as follows:

- a) To undertake a process of due diligence 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 as mandated by RBI from time to time;
- b) To scrutinize the necessary information and declaration from the proposed / existing directors for the purpose of appointment/re-appointment;
- c) To decide on the acceptance or otherwise of the Directors, where considered necessary;
- d) To set criteria for determining qualifications, positive attributes and independence of a director, and remuneration of the Executives.
- e) To enable the Company to attract, retain and motivate the Board members and Executives to run the Company successfully.
- f) To enable the Company to provide a well-balanced and performance-related compensation package for the Executives, taking into account shareholder interests, industry standards and relevant Indian corporate regulations.
- g) To ensure that the interests of Executives are aligned with the business strategy and risk tolerance, objectives, values and long-term interests of the Company and consistent with the "pay-for-performance" principle.
- h) To ensure that remuneration to Executives of the Company 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.

NOMINATION AND REMUNERATION COMMITTEE

Muthoot Capital Services Limited shall have a Nomination and Remuneration Committee constituted in accordance with the provisions of Section 178 of the Act read with Regulation 19 of the Listing Regulations and Master Direction - Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023 dated 19th October, 2023 constituted by the Board as follows:

- The Committee shall comprise of at least Three (3) Directors;
- All Directors of the Committee shall be Non-Executive Directors; and
- At least two-thirds of the Directors shall be Independent Directors.

The Chairperson of the Committee shall be an Independent Director. Further, the Chairperson of the Company (whether Executive or Non-Executive) may be appointed as a Member of the Committee but shall not Chair such Committee.

The Quorum for a Meeting of the Nomination and Remuneration Committee shall be one third of the total strength or Two (2) members whichever is higher, subject to a minimum of One (1) Independent Director in attendance.

The Nomination and Remuneration Committee shall meet as and when required by the Committee but it shall meet at least once in a financial year.

Section 178(3) of the Act read with Regulation 19 of the Listing Regulations and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 dated 19th October, 2023 states that the Nomination and Remuneration 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 for the directors, key managerial personnel and other employees.

The Role of the Committee shall include the following:

- (1) Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- (2) For every appointment of an Independent Director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- a. use the services of an external agencies, if required;
- b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
- c. consider the time commitments of the candidates.

- (3) Formulation of criteria for evaluation of performance of Independent Directors and the Board of Directors;
- (4) Devising a Policy on diversity of Board of Directors;
- (5) Identifying 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 of directors their appointment and removal.
- (6) whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- (7) Recommend to the Board, all remuneration, in whatever form, payable to senior management.

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 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.

Note: The performance evaluation of / by the Directors / Members of the Board / Committee of Board shall be carried out only after completion of six months from the date of appointment on the Board / Committee of Board of the Company.

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

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).

Process of applying Malus / Clawback provisions:

- (a) Prior to the invocation of Malus & Clawback to any part or all of variable pay or incentives including ESOPs, the NRC shall order an independent enquiry about the facts of the event(s) in detail.
- (b) The NRC shall also take into consideration all relevant factors, including inter alia, roles and responsibilities of the Key Employee, culpability and proximity to the Misconduct as well as any external factors as may be relevant.
- (c) The NRC shall also review the act of Misconduct or any of the aforesaid events to ascertain the degree of accountability, prior to applying the Malus or Clawback arrangement.
- (d) The NRC shall follow due process and adhere to the principles of natural justice and proportionality and shall provide an opportunity of being heard to the employee.
- (e) The Chairman of the NRC shall then submit the recommendation report to the Board for consideration.

(iv) 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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