

NOMINATION AND REMUNERATION POLICY

In accordance with the provisions of Section 178 of the Companies Act, 2013, the Board of Directors of Muthoot Vehicle & Asset Finance Limited (the Company) has constituted the Nomination and Remuneration Committee of the Board of Directors.

OBJECTIVE

The Nomination and Remuneration Committee and this Policy are in compliance with the Companies Act, 2013, Reserve Bank of India Guidelines read along with the applicable rules thereto and Policy Guidelines of Muthoot Vehicle & Asset Finance Limited.

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 for further evaluation of the Board and recommending the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- c) to ensure that all provisions regarding Remuneration Policy and duties of Committee as required under the Companies Act, 2013 or such other acts, rules, regulations or guidelines are complied with.

DEFINITIONS

(a) Key Managerial Personnel: Chief Executive Officer or Managing Director or the Manager, Whole-time Director, Chief Financial Officer, Company Secretary or such other officer as may be prescribed under Companies Act, 2013.

(b) Senior Management: Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors. This would also include all members of management one level below the executive directors including all functional heads.

ROLE AND RESPONSIBILITIES

The role of the Committee inter alia will be the following:

- a. Identifying persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with Criteria as laid down and recommend to Board their appointment and removal.
- b. Ensure persons proposed to be appointed on the Board do not suffer any disqualifications for being appointed as a director under the Companies Act, 2013
- c. Ensure that the proposed appointees have given their consent in writing to the Company;
- d. Review and carry out every Director's performance, the structure, size and composition including skills, knowledge and experience required of the Board compared to its current position and make recommendations to the Board with regard to any changes;
- e. Plan for the succession planning for directors in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;

- f. Be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;
- g. Keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete efficiently in the market place; and
- h. Ensure that on appointment to the Board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of committee services and involvement outside board meetings.
- i. Determine and agree with the Board the framework for broad policy regarding the criteria for determining qualifications, positive attitudes and independence of a director and recommend to the Board a policy, relating to remuneration for the Directors, Key Managerial Personnel and other employees.
- j. Review the on-going appropriateness and relevance of the remuneration policy.
- k. Ensure that contractual terms of the agreement that Company enters into with Directors as part of their employment in the Company are fair to the individual and the Company.
- l. Ensure that all provisions regarding disclosure of Nomination and Remuneration Policy as required under the Companies Act, 2013 or such other acts, rules, regulations or guidelines are complied with.

CONSTITUTION

Members:

- a. The Committee shall consist of minimum 3 non-executive directors, majority of them being independent.
- b. Minimum two (2) members shall constitute a quorum for the Committee meeting.
- c. Membership of the Committee shall be disclosed in the Annual Report.
- d. Term of the Committee shall be continued unless terminated by the Board of Directors.

Chairman:

- a. Chairman of the Committee shall be an Independent Director.
- b. Chairman of the Committee shall be decided by Board of Directors of the Company.
- c. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.

FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required by the Committee or as directed by Board of Directors of the Company.

GUIDING PRINCIPLES

Committee while exercising its functions as described in role and responsibilities of the Committee in this policy, will be guided by following broad principles:

- a. 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;
- b. The relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c. The remuneration to directors, key managerial personnel 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.
- d. In case, subject matter is related to appointment/remuneration of Independent Directors, the requirement under Code of Conduct of Independent Directors and other Statutory Requirements are met.
- e. In case, subject matter is related to appointment/remuneration of Directors other than Independent Directors, Key Managerial Persons, Senior Management, the requirement under Code of Conduct of Senior Management of the Company is met.
- f. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. The Committee may invite such executives including Key Managerial Persons and Senior Management, as it considers appropriate, to be present at the meetings of the Committee.
- g. **'Fit and Proper' Criteria as per guidelines of Reserve Bank of India, will be the most fundamental guidelines for appointment of Directors and due diligence in this regard will be carried out. Committee will be required to carry out all functions/duties in compliance of Companies Act, 2013, SEBI (LODR) 2015 and Reserve Bank of India Guidelines.**
- h. **Procedures mentioned below are followed and minimum criteria are fulfilled by the persons before they are appointed on the Boards:**
 - (i) **NRC should 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.**
 - (ii) **NRC should obtain necessary information and declaration from the proposed / existing directors for the purpose as prescribed by Reserve Bank of India.**
 - (iii) **The process of due diligence should be undertaken at the time of appointment / renewal of appointment.**

(iv) NRCs to scrutinize the declarations and ensure necessary deeds of covenants as prescribed by Reserve Bank of India is executed by nominated/elected Directors.

(v) Based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance or otherwise of the directors, where considered necessary.

- i. In addition, NRC shall ensure compliance with Compensation Policy for Key Managerial Personnel (KMP) and Senior Management laid down in accordance with RBI guidelines as given in Annexure 1**

DECISION MAKING AND VOTING

- a. Matters arising for determination at Committee meetings shall be decided by the majority of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b. In the case of equality of votes, the Chairman of the meeting will have a casting vote.
- c. Committee may refer any matter for consideration and decision by full Board of Directors of the Company, if majority of members deem the matter fit for the said purpose. Such matters which are referred by the Committee will be deemed to be agenda of the meeting of Board of Directors.

MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Committee meeting.

REVIEW AND ALTERATION OF NOMINATION AND REMUNERATION POLICY

The Nomination and Remuneration Committee of the Company will be guided by this policy and subject to the power granted to/ terms of reference of the Committee as decided by Board of Directors of Company from time to time and requirement under the Companies Act, 2013 or such other acts, rules, regulations or guidelines. Nomination and Remuneration Committee of the Company may review this policy from time to time as it may deem fit. Any modification and Change in this policy will be subject to approval of Board of Directors based on recommendation of Nomination and Remuneration Committee of the Company.

Compensation Policy for Key Managerial Personnel and Senior Management Personnel of the Company in accordance with RBI guidelines w.e.f April 01 , 2023

Reserve Bank of India, vide Circular RBI/2022-2023/36 DOR.GOV.REC.No.29/18.10.002/2022-23 dated 29/04/2022, has issued guidelines to all NBFCs to put in place a Board approved Compensation policy for Key Managerial Personnel (KMP) and Senior Management Personnel which shall come into effect from April 01, 2023. Accordingly, a Compensation policy for Key Managerial Personnel and Senior Management Personnel is laid as below.

Applicability

The policy shall come into effect from April 01, 2023. It shall apply to Key Managerial Personnel (KMP) and Senior Management Personnel (SMP). KMPs shall be as defined in Section 2 (51) of Companies Act, 2013, as amended from time to time. SMPs shall be as defined in 'Explanation' to Section 178 of the Companies Act, 2013.

Policy Framework

1. Nomination and Remuneration Committee (NRC)

As per the Circular, Company should have a Nomination and Remuneration Committee (NRC) which shall have the constitution, powers, functions and duties as laid down in section 178 of the Companies Act, 2013. The NRC, *inter alia*, shall also have the mandate to oversee the framing, review and implementation of compensation policy of the company which should have the approval of the board. The NRC may work in close coordination with Risk Management Committee (RMC) of the company to achieve effective alignment between compensation and risks. Further, the NRC may ensure that compensation levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP). NRC may also ensure 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on Board of the company, KMPs and senior management.

Company has an existing Nomination and Remuneration Committee which is in compliance with the above requirement.

2. Principles for compensation

2.1 Components and risk alignment: As per the Circular, the compensation of Key Managerial Personnel (KMPs) and senior management needs to be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation packages may comprise of fixed and variable pay components aligned effectively with prudent risk taking to ensure that compensation is adjusted for all types of risks, the compensation outcomes are symmetric with risk outcomes, compensation pay-outs are sensitive to the time horizon of the risks, and the mix of cash, equity and other forms of compensation are consistent with risk alignment.

2.2 Composition of Fixed Pay: All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, may be treated as part of fixed pay. All

perquisites that are reimbursable may also be included in the fixed pay so long as there are monetary ceilings on these reimbursements. Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.) may also be part of fixed pay.

2.3 Principles for Variable Pay

2.3.1 Composition of Variable Pay: The variable pay may be in the form of share linked instruments, or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.

2.3.2 Proportion: The proportion of variable pay in total compensation (Total compensation includes fixed and variable pay) needs to be commensurate with the role and prudent risk taking profile of KMPs/ senior management. At higher levels of responsibility, the proportion of variable pay needs to be higher. There should be proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and companywide level. In order to do so, performance measures and their relation to remuneration packages should be clearly defined at the beginning of the performance measurement period to ensure that the employees perceive the incentive mechanism.

2.3.3 Deferral of variable pay: Not all the variable pay awarded after performance assessment may be paid immediately. Certain portion of variable pay, as decided by the Board of the company, may be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board of the company.

2.3.4 Control and assurance function personnel: KMPs and senior management engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation may be in the form of variable pay, so that exercising the options of malus and/or clawback, when warranted, is not rendered infructuous.

3. Guaranteed bonus

Guaranteed bonus may not be paid to KMPs and senior management. However, in the context of new hiring joining/sign-on bonus could be considered. Such bonus will neither be considered part of fixed pay nor of variable pay.

4. 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 variable pay to the Company under certain circumstances.

Retention period is a period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.

The deferred compensation may be subject to malus/clawback arrangements in the event of employee misconduct, if any, in the last one year. It is specified that Malus provisions can be applied for vesting of all or part of the future deferred remuneration. It is specified that Clawback provisions can be invoked for a maximum period of one year from the end of financial year for which the variable

pay was vested or paid. NRC is also authorized to approve any subsequent release of any amount withheld as above under malus/clawback arrangements to the employee concerned in whole or in part and in one or more instalments, as deemed appropriate.
