

MANAPPURAM HOME FINANCE LIMITED

POLICY ON INDEPENDENT DIRECTORS

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POLICY ON INDEPENDENT DIRECTORS

As per section 178 of the Companies Act 2013, Board of directors has constituted Nomination and Remuneration Committee (“the Committee”) which is a combination of Independent and Non-executive Directors. Committee in line with the Companies Act 2013 and regulatory framework for Non-Banking Financial Companies (NBFCs) issued by Reserve Bank of India (RBI), has formulated a Nomination and Compensation a policy on the criteria for determining the qualifications, positive attributes and Independence of a director and recommend to the Board a policy on the remuneration for the directors , KMPs and other employees. In line with the above statutory requirement under sections 149 and 178 of the Companies Act, 2013 the following policies are proposed to be adopted for the appointment of directors and the matters connected therewith.

Definitions

Unless the context otherwise requires, the following words and expressions shall have the meaning provided herein: -

- i. **Act** - means the Companies Act, 2013 including any amendments and reenactments from time to time.
- ii. **Board**- means the collective body of directors of the Company.
- iii. **Director**- means a director appointed on the board of the company.
- iv. **Independent director**- means an independent director referred to in sub-section (5) of section 149 of the Companies Act, 2013
- v. **Nomination Committee**- means Nomination Compensation and Corporate Governance Committee of the Board.
- vi. **Committee**- means the committees of directors constituted by the Board.

Board diversity & composition

The Nomination Committee is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified persons to occupy Board positions with the prescribed requirements in consultation with the Board.

While all appointments to the Board will continue to be made on merit, the Committee will consider the benefits of diversity (including but not limited to the attributes listed above) in identifying and recommending persons for Board membership, as well as in evaluating the Board and its individual members.

Board diversity is largely framed to address the importance of a diverse Board in harnessing the unique and individual skills and experiences of the members in a way that collectively benefits the organization and business. The basic essence is to provide a framework for leveraging on the differences within the expertise of the Board, offering a broad range of perspectives that are directly relevant to the business. A truly diverse Board will leverage differences in thought, perspective, knowledge, skill, regional and industry experience, cultural and geographical background, age, ethnicity, race and gender, which will ensure that the Company retains its competitive advantage.

The Company believes that a diverse Board will amongst others–

- a. Enhance the quality of decision making and ensure better business performance.
- b. Encourage diversity of perspectives thereby fueling creativity and innovation.
- c. Complement and expand the skills, knowledge, and experience of the Board as a whole.
- d. Provide better Corporate Governance.

The board of Directors of the Company should have a fair combination of executive and non-executive Directors with not less than 50 percent being Non-Executive Directors. The Company shall maintain the strength of Independent Directors on its board keeping in mind the regulatory requirements and guidelines on Corporate Governance.

The Company shall appoint Directors keeping in mind an ideal diversity in knowledge or expertise that could add value to the overall performance of the board and of the Company. The desired diversity may be fixed by the Nomination and Remuneration Committee (“the Committee”) based on the nature of business of the Company from time to time. The diversity of the total board may include the following.

Expertise in; i. Banking, Finance, Accountancy, Taxation

ii. Governance, Regulatory background, Law and practice

iii. Management, Administration

iv. Engineering, Human resource, Subject of social relevance

v. IT, Marketing

Considering the need for professional experience in managing the affairs of NBFCs, at least one of the directors shall have relevant experience of having worked in a bank/ NBFC.

All Board appointments will be done on merit, in the context of skills as required for the areas of our business operations, management and also expertise in the fields of regulatory, legal, research, human capital management, strategic planning, marketing and general administration.

Further, commonality of Directorships with any Bank is likely to impede timely flow of working funds from such Bank/s to the Company due to regulatory directions in respect of credit sanction by a Bank in such a situation leading to changes in Bank's internal approval chain and delays. As the seamless flow of working funds is important, the company shall refrain from considering any candidates for on-boarding as a Director any prospective candidate who is already serving on any Bank Board. In the event of any candidate joining after leaving a Bank board with whom the company has borrowing relationships, such induction shall be effective after a cooling period of 3 Months from the date of exit from the Bank Board. In case any serving member is desirous of joining any Bank Board such member may exercise choice between the Company and the Bank with due notice to the Company. In case of appointment of any director, a process of due diligence may be carried out to ensure the fulfillment of criteria as specified in the RBI master directions by an external agency. If the proposed profile is of a publicly known personality, obtaining all necessary declarations as specified in the RBI Master Direction and other relevant documents including KYC documents will be adequate to ensure the said criteria.

The Committee is responsible for reviewing and assessing the composition and performance of the Board, as well as identifying appropriately qualified people to occupy Board positions.

Any new member proposed to be inducted in the Board, preferably to be with Corporate Board Experience of at least 3 years in any related customer facing and regulated company.

Further, the Committee will ensure that no person is discriminated against on grounds of religion, race, gender, pregnancy, childbirth or related medical conditions, national origin or ancestry, marital status, age, sexual orientation, or any other personal or physical attribute which does not speak to such person's ability to perform as a Board member. Accordingly, the Committee shall:

1. assess the appropriate mix of diversity, skills, experience and expertise required on the Board and assess the extent to which the required skills are represented on the Board,
2. make recommendations to the Board in relation to appointments, and maintain an appropriate mix of diversity, skills, experience, and expertise on the Board, and
3. periodically review and report to the Board requirements, if any, in relation to diversity on the Board.

(I) Appointment of Independent Director

The company shall maintain the strength of independent directors on its board keeping in mind the regulatory requirements issued from time to time and as per the present norms, Company shall have at least Two directors as Independent Directors. On selection of an independent director, the Chairman of the Board/Managing Director shall issue a letter of appointment to the director.

The independent directors appointed in the company will have a tenure of 5 years. They can be re-appointed for another term of 5 years in compliance with the applicable provisions of

the Companies Act. Any intermittent vacancy caused of an independent director shall be filled up by the Board within a period of 3 months or at the next board meeting whichever is earlier.

An independent director shall not be on the Board of more than three NBFCs (NBFC-ML or NBFC-UL) at the same time. A timeline of two years is provided with effect from October 01, 2022, to ensure compliance with these norms. Further, the Board shall ensure that there is no conflict arising out of their independent directors being on the Board of another NBFC at the same time. There shall be no restriction to directorship on the Boards of NBFC-BLs, subject to applicable provisions of Companies Act, 2013.

II Criteria for Determining Qualifications, Positive Attributes & Independence of Director:

1. Qualifications of Independent Director:

An Independent director shall possess appropriate skills, experience, and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, IT or other disciplines related to the company's business.

2. Positive attributes of Independent Directors:

An independent director shall be a person of integrity, who possesses relevant expertise and experience and who shall uphold ethical standards of integrity and probity; act objectively and constructively; exercise his responsibilities in a bona-fide manner in the interest of the company; devote sufficient time and attention to his professional obligations for informed and balanced decision making; and assist the company in implementing the best corporate governance practices.

3. Independence of Independent Directors:

While considering the appointment of an independent director, the nomination committee and the board shall ensure that the incumbent satisfies the test of independence as provided under the Companies Act, 2013 as below: -

(a) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience.

(b) (i) who is or was not a promoter of the company or its holding, subsidiary or associate company;

(ii) who is not related to promoters or Directors in the company, its holding, subsidiary or associate company;

(c) who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or Directors, during the two immediately preceding financial years or during the current financial year;

(d) none of whose relatives—

(i) is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paid-up capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

(ii) is indebted to the company, its holding, subsidiary or associate company or their promoters, or Directors, in excess of such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

(iii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or Directors of such holding company, for such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;

or

(iv) has any other pecuniary transaction or relationship with the company, or its subsidiary, or its holding or associate company amounting to two per cent. or more of its gross turnover or total income singly or in combination with the transactions referred to in sub-clause (i), (ii) or (iii);

(e) who, neither himself nor any of his relatives—

(i) holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years.

(ii) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—

(A) a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or

(B) any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;

(iii) holds together with his relatives two per cent. or more of the total voting power of the company; or

(iv) is a Chief Executive or director, by whatever name called, of any non-profit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, Directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company

(f) An independent director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business.

(g) None of the relatives of an independent director, for the purposes of sub-clauses (ii) and (iii) of clause (d) of sub-section (6) of section 149, -

(i) is indebted to the company, its holding, subsidiary or associate company or their promoters, or directors; or

(ii) has given a guarantee or provided any security in connection with the indebtedness of any third person to the company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for an amount of fifty lakhs rupees, at any time during the two immediately preceding financial years or during the current financial year.

The board shall on a continuous basis ensure that the independent directors continue to maintain their independence during their tenure on the board. To ensure the same, the board may obtain proper declarations from the directors at the time of appointment, annually and at such intervals as the board may deem fit.

Institutionalized Process and procedure for sourcing (including internal candidates) screening, selection and appointment of KMPs.

Any appointment to the role of Key Managerial Personnel, excluding the position of Managing Director shall be proposed to the Nomination and Remuneration Committee of the Board after an initial screening and selection by a panel constituting the Managing Director and Head of HR.

Institutionalised Process for sourcing, screening, selection, and appointments for whole time Directors (MDs and EDs (if applicable)).

Any appointment to the role of Managing Director/Executive Director (if applicable) shall be proposed to the Nomination and Remuneration Committee of the Board after an initial

screening and selection by a panel constituting of 3 or more Directors as may be decided by the Board, which shall mandatorily include the Chairman of Nomination and Remuneration Committee and Chairman of the Board. The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of the term.

The Nomination Committee shall periodically review the mix of Executive/Non -Executive, Independent/Non-Independent Directors vis-à-vis the extant regulations. The Committee shall also review the skillsets required for a proposed candidate and the process for sourcing, selection, and appointment of Independent / Non -Executive Directors, once a vacancy is identified including impending vacancies based on future retirements.

Succession planning for appointment to board and senior management positions.

The board may identify suitable persons to be appointed to the board positions for filling up vacancies. The vacancies caused by the exit of an Independent Director may be filled by the appointment of an Independent Director. However, if the vacancy does not affect the strength of the minimum required Independent Directors, the board may or may not fill the vacancy as it may deem fit. Suitable candidates may be identified by the Directors from reputable references or from data banks maintained by industry associations, professional bodies, or nongovernmental organizations or by inviting applications through any media.

Vacancies in senior positions in the Company may be filled by a system of promotion of existing employees based on appropriate screening procedures set by the Nomination committee from time to time. In the event of no suitable candidate being found fit for promotion, a suitable person from any of the group companies, or from outside may be chosen.

The company may identify critical positions and shall devise a system of proper mentoring to identify officers of the Company to take up the senior positions wherever a vacancy is caused to ensure the business continuity in the best interest of the Company.

(III) Performance Evaluation

The nomination committee and the board shall put in place a mechanism for the review of performance of the Board, Committees, and individual directors. The review of Performance shall be undertaken annually preferably before the next Annual General Meeting and a statement indicating the way formal annual evaluation has been made by the Board of its own performance and that of committees and individual directors shall be annexed to the Directors Report.

(IV) Remuneration Policy for Executive Directors and Non- Executive Directors/ Independent Directors

- The remuneration and commission of Executive and Non- Executive Directors/ Independent Directors shall be recommended by the Committee to the Board of Directors and shall be subject to the provisions of Companies Act, 2013.
- The remuneration for Executive Directors shall be arrived at by considering various factors such as qualification, experience, expertise, prevailing remuneration in the industry, future contribution, etc. The elements of the remuneration and limits are applicable as defined in the Companies Act, 2013 and rules/ schedules made thereunder.
- The remuneration of Executive Directors shall be divided into two components i.e. fixed and variable. The fixed component comprises salary, allowances, perquisites, provident fund, gratuity etc. The variable component comprises annual performance pay which may be a fixed amount as decided by the Board.
- At the beginning of each financial year NRC with the approval of the Board shall prescribe KPIs for MD and Executive Directors.
- Any variable pay shall be in compliance with RBI guidelines contained in circular dated April 29, 2022
- The Non-Executive and Independent Directors of the Company would be paid sitting fees within the permissible limits prescribed under the Companies Act, 2013 and rules framed thereunder for attending meetings. The sitting fee shall be decided by the Board from time to time on the recommendation of the Committee.

In addition to the sitting fees, the company will bear or reimburse the normal travelling, boarding, and lodging expenses of directors incurred for the purpose of attending board/committee meetings or for attending any other duties on behalf of the company.

- In case of profits/inadequate profits/ losses, the Directors may also be paid remuneration by way of Commission as defined in the Companies Act, 2013 read with Schedule V of the said act. The Committee shall recommend to the Board the payment of Commission to Directors.
- The Board of Directors shall decide the actual amount to be paid to each Non-Executive/ Independent Director based on factors such as meetings attended by the Director, time and effort put in and the contribution made by them.
- Independent Directors shall not be entitled to stock options.

(V) Applicability of Law

Changes in the underlying Act / Regulations or guidelines may supersede the provisions of this policy. At any time if there is any amendment to the applicable laws or regulations or guidelines affecting the provisions of this policy, the policy shall be deemed as amended to the extend applicable and the amended provisions will take effect from the date of Change in the underlying laws/ regulations or guidelines.

VI) Amendment to the policy

The provisions of this policy may be amended by the Board at any time on the recommendation of the Nomination Committee.
