

Mahaveer Finance India Limited
Nomination and Remuneration Policy
(2023-24)



Summary of Policy

Policy Name	Nomination and Remuneration Policy
Regulations	Section 178 of the Companies Act, 2013 (herein after referred as "Act"), Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (hereinafter referred as "RBI SBR Directions")
Review Cycle	Annually or in the event of any change in regulatory guidelines
Approver	Board of Directors of Mahaveer Finance India Limited
Latest approval/review date	3 rd November, 2023
Version	Nomination and Remuneration Policy approved on 3 rd November, 2023
Previous version	Nomination and Remuneration Policy approved on 15 th February, 2021

1. PREAMBLE

Mahaveer Finance India Limited (“MFIL” or the “Company”) has adopted this Policy on appointment and remuneration of the Directors, Key Managerial Personnel and Senior Management (the “Policy”) as required by the provisions of Section 178 of the Companies Act, 2013 (the “Act”) and Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (hereinafter referred as “RBI SBR Directions¹”).

The purpose of this Policy is to establish and govern the procedure applicable:

- a) To evaluate the performance of the members of the Board.
- b) To ensure remuneration to Directors, KMP 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.
- c) To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

2. DEFINITIONS:

a. **Independent Director** means a director referred to in Section 149(6) of the Act or RBI SBR Directions, as amended from time to time².

b. **Key Managerial Personnel** (the “KMP”) shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Act.

c. **Nomination and Remuneration Committee** (“the Committee”), by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act and RBI SBR Directions³.

d. **Remuneration** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

e. **Senior Management Personnel** (“SMP”) means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors, including all functional heads.

Words and expressions used and not defined in this Policy, but defined in the Act or any rules framed under the Act or the applicable RBI SBR Directions⁴, as amended from time to time.

3. COMPOSITION AND ROLE OF NOMINATION AND REMUNERATION COMMITTEE:

The composition and role of the Committee is / shall be in compliance with the provisions of Section 178 of the Act and RBI SBR Directions⁵, as amended from time to time.

¹Reference added as “Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (hereinafter referred as “RBI SBR Directions”)”

² Reference given as “RBI SBR Direction” substituting reference of “Securities and Exchange Board of India Act, 1992 and Rules and Regulations framed thereunder or in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015”

³ Same as 1

⁴ Same as 1

⁵ Same as 1

4. FIT & PROPER POLICY⁶

Pursuant to RBI Guidelines, the Board of Directors (“Board”), has adopted the Fit and Proper Policy (“Policy”) as a part of NRC policy regarding ascertaining the Fit and Proper criteria of Directors at the time of their appointment and on continuing basis. This Policy is to ensure that the Directors of the Company who are responsible for steering the affairs of the Company are fit and proper, besides having the necessary qualifications.

1. GUIDELINES ON “FIT & PROPER”

The Nomination & Remuneration Committee (“Committee”) shall ensure that prior to considering any candidature for appointment, re-appointment as a Director on the Board of the Company, detailed due diligence is undertaken to consider suitability of the Candidate. Such due diligence shall be based on:

- i. Qualification of the candidate
- ii. Expertise and competence of the candidate
- iii. Track record of the candidate
- iv. Integrity of the candidate
- v. Reputation and character of the candidate
- vi. Any other parameters that the Committee may deem fit to analyse

Further statutory declarations and undertaking as prescribed in the Master Directions shall be obtained from Directors before appointment/re-appointment and on annual basis. The Committee shall scrutinize the declarations and the chairperson of the Committee may thereafter add remarks on the declaration.

2. EVALUATION OF “FIT & PROPER”

a. Directors

- 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 of directors of the Company, based upon qualification, expertise, track record, integrity and other ‘fit and proper’ criteria.
- Obtain necessary declarations and consent from the proposed/existing director under the provisions of the Act for the purpose of their appointment/re- appointment.
- Obtain the necessary information, declarations and undertakings from the proposed / existing director for the purpose of such due diligence in the format as prescribed in the RBI guidelines.
- Scrutinize the declarations received and at the time of renewal of appointment of any director.
- Obtain annually (as on 31st March) a simple declaration from each director that the information already provided by the director has not undergone change and where there is any change, the Company shall require such director to furnish the requisite details forthwith.
- Ensure in public interest that each of the nominated / elected directors execute a deed of covenants in the format as prescribed in the RBI guidelines.

b. Independent Director

⁶ Inserted as per RBI SBR Directions and as approved in BM dated 3rd November, 2023

- Evaluate the candidate based on the criteria provided under the applicable laws including Companies Act, 2013 read with Rules thereon. Each director has an affirmative obligation to inform the Board of any change in circumstances that may put his/her independence at issue.
- Prior to appointment 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.
- Determine the independence of the director on an annual basis through the declarations made by such director as per the provisions of the Companies Act, 2013 read with Rules thereon and the Listing Regulations.
- The Independent Director who intends to get appointed as an independent director in a company, shall before such appointment, apply online to the institute for inclusion of his name in the data bank for a period of one year or five years or for his life-time, and from time to time applies for its renewal till he continues to hold the office of an independent director in any company:
- If any individual, including an individual not having DIN, voluntarily applies to the institute for inclusion of his name in the data bank, such candidate shall clear an online proficiency self-assessment test covering Companies law, Securities law, Basic accountancy, and such other areas relevant to the functioning of an individual and should have mandatory registration with Indian Institute of Corporate Affairs ("IICA").

The selection of Directors can be made in any of the following ways:

- on recommendation of the Chairman or any other Director
- by way of recruitment from outside based on market reputation
- by way of selection from the data bank of Independent Directors maintained by the Government
- from within the Company hierarchy.

In order to conclude that a person is 'fit and proper', who is to be appointed as a director on the Board or to continue in that capacity (as the case may be), the Board must be able to form a view that it would be prudent to conclude, on the basis of recommendations of the NRC, that:

- the person meets the fit and proper criteria expressly set out by the RBI in the RBI Circular/Master Directions or such other or additional criteria (where applicable) which may prescribe for this purpose by the RBI, from time to time;
- the person possesses the qualifications, competence, technical expertise, track record, integrity and judgement to perform properly the duties of a director on the Board;
- the person possesses the educational or technical qualifications, knowledge and skills relevant to the duties and responsibilities as a director on the Board;
- the person either:
 1. has no conflict of interest in performing such person's duties as a director on the Board; or
 2. if the person has a conflict of interest, it would be prudent to conclude that the conflict will not create a material risk that the person will fail to perform such person's duties properly and adequate disclosures are made by the person in this regard.

c. KMP's

- Identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as KMP's and recommend the same to the Board/ Committee his / her appointment along with the remuneration, in whatever form as may be payable.
- Ensure that such person should possess adequate qualification, expertise and experience for the position for which he / she is being considered for appointment.
- The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient/satisfactory for the position.

5. POSITIVE ATTRIBUTES OF DIRECTORS AND INDEPENDENCE (INCLUDING INDEPENDENT DIRECTORS):

- a) Directors are to demonstrate integrity, credibility, trustworthiness, ability to handle conflict constructively, and the willingness to address issues proactively.
- b) Actively update their knowledge and skills with the latest developments in the financial services industry, Non-banking financial companies and applicable legal provisions.
- c) Willingness to devote sufficient time and attention to the Company's business and discharge their responsibilities
- d) To assist in bringing independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct.
- e) Ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with the senior management of the Company.
- f) To act within their authority, assist in protecting the legitimate interests of the Company, its shareholders and employees.
- g) Independent Directors to meet the requirements of the Companies Act, 2013 read with the Rules made there under, as amended from time to time. The director's independence for the independent director will be determined by the Board on an annual basis upon the declarations made by such Directors as per the provisions of the Companies Act, 2013 read with Rules thereon and the Listing Regulations. Each director has an affirmative obligation to inform the Board of any change in circumstances that may put his or her independence at issue. The Board reserves the right to determine that any director is not independent even if he or she satisfies the criteria set forth by the provisions of the Companies Act, 2013 read with Rules thereon and the Listing Regulations.

6. CRITERIA FOR APPOINTMENT OF KMP/SENIOR MANAGEMENT:

- a) To possess the required qualifications, experience, skills & expertise to effectively discharge their duties and responsibilities.
- b) To practice and encourage professionalism and transparent working environment.
- c) To build teams and carry the team members along for achieving the goals/objectives and corporate mission.
- d) To adhere strictly to code of conduct of the Company.

The selection of Key Managerial Personnel and Senior Management can be made in any of the following ways:

- by way of recruitment from outside
- from within the Company hierarchy
- or any other way as governed by the prevailing HR Policy.

7. TERM AND REMOVAL

- a) Term of Directors shall be as per the provisions of the Companies Act, 2013 read with Rules thereon and the Listing Regulations.
- b) Term of KMP/Senior Management shall be governed by the prevailing HR policy of the Company.
- c) Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management.

8. REMUNERATION

- a) The remuneration / compensation / commission etc. to Directors will be determined by the Committee as per the statutory provisions of the Companies Act, 2013, and the rules made there under for the time being in force and as amended from time to time and recommended to the

Board for approval. The remuneration / compensation / commission etc. shall be subject to the approval of the shareholders of the Company and/or Central Government, wherever required.

- b) Independent Directors and Non-executive Directors shall receive sitting fees for attending meetings of the Board and/or committees of the Board as per the provisions of the Act and rules made thereunder, as amended from time to time and as may be decided by the Committee/ Board.
- c) Remuneration / compensation / commission to the KMP/Senior Management shall be based on the standard market practice and prevailing HR policies of the Company.

9. EVALUATION

The Committee shall carry out evaluation on annual basis of performance of a) every Individual Director (including Chairperson and Independent Directors), b) the Board as a whole and c) Board Committees.

- a) The Committee shall identify evaluation criteria which will evaluate individual Directors/Board/Committee/ Independent Directors/ Chairman based on knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence. The appointment / re-appointment / continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.
- b) The independent Directors of the Company as per the provisions of clause VII of Schedule IV of the Companies Act, 2013, shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management. All the independent directors of the company shall strive to be present at such meeting;

The meeting shall:

- (a) review the performance of non-independent directors and the Board as a whole;
 - (b) review the performance of the Chairperson of the company, considering the views of executive directors and non-executive directors;
 - (c) 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 Framework for performance evaluation of Independent Directors and the Board is decided by Board and the Committee time to time.

10. INCONSISTENCY⁷

In the event of any inconsistency between the Policy and the other provisions of the Master Agreement as may be entered into, the RBI Guidelines referred in the policy shall prevail.

11. REVIEW & AMENDMENTS⁸

This policy shall be reviewed and updated periodically for any changes.

In case any amendments issued by Reserve Bank of India in form of clarifications, circulars or guidelines or by any other name, which may not be consistent with the current provisions laid down under this Code, then the provisions of such amendments / clarifications, shall prevail upon the provisions contained in the RBI communication and the same shall stand amended accordingly effective from the date as laid down under such RBI communique.

⁷ Inserted as approved in the Board meeting dated 3rd November, 2023

⁸ replaced the previous clause as approved in the Board meeting dated 3rd November, 2023