MUTHOOT HOUSING FINANCE COMPANY LIMITED

COMPENSATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL (KMPs) AND SENIOR MANAGEMENT

Purpose	This document intends to formulate, formalize, and establish Compensation Policy for the Company for Directors, senior management personnel, key managerial personnel, and other employees of the Company.
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Author	Head HR

Policy Owner Ship	Human Resource Department through Nomination and Remuneration Committee
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Date	5.2.26

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Compensation Policy for Directors, Key Managerial Personnel (KMPs) and Senior Management

1. Introduction

Muthoot Housing Finance Company Ltd("Company") recognizes its role as a corporate citizen and endeavours to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, regulators, market and other stakeholders. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. This policy seeks to document the practices and procedures to be followed by the Company in adopting the remuneration payable to its Directors, Key Managerial Personnel (KMPs) and Senior Management.

The policy shall lay down principles for fixing the remuneration/compensation to attract and retain the best suitable talent on the Board and Senior Management of the Company as per the criteria formulated by the Nomination and Remuneration Committee of the Board pursuant to Section 178 and other applicable provisions of the Companies Act, 2013, read with applicable Rules and Regulations thereunder and applicable RBI guidelines in this regard.

The policy shall form part of and read in conjunction with the 'Remuneration Policy' of the Company.

2. Definitions

a. 'Act' shall mean the Companies Act, 2013 and rules made thereunder, as amended from time to time.
b. 'Board' shall mean the Board of Directors of the Company.
c. 'Key Managerial Personnel' or 'KMP' shall mean the 'key managerial personnel' as defined under Section 2(51) of the Companies Act, 2013.
d. Senior Management means the 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 executive directors, including the functional heads.

   The term 'Senior Management' shall be read in accordance with the definition provided under Section 178 of the Companies Act, 2013and RBI guidelines relating to compensation of KMPs and senior management in NBFC's as may be amended from time to time .

   Further, the term 'functional heads' for the purpose of this policy shall mean and include only the CXOs of the Company.

e. 'Nomination and Remuneration Committee' or 'NRC' or 'Committee' shall mean means a Committee of the Board of Directors of the Company constituted under the provisions of the Companies Act, 2013, and applicable RBI guidelines, as may be amended from time to time.

f. Risk Management Committee (RMC): Means a Committee of the Company constituted under RBI guidelines, as may be amended from time to time.

g. Claw back 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.

h. 'Company' shall mean Muthoot Housing Finance Company Limited.
i. 'Other Employees' shall mean all employees other than the Directors, SMPs and KMPs.

3. Principles

a. To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Board of Directors, KMPs and Senior Management, of the quality required to run the Company successfully.
b. To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
c. To ensure that remuneration to Board of Directors, KMPs and Senior Management strikes a balance between fixed pay, variable pay and long-term benefits like ESOPs reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.
d. Compensate Board of Directors, KMPs and Senior Management adequately for the efforts put in by them for the growth of the Company taking into consideration their significant professional expertise and rich experience across a wide spectrum of functional areas, time commitment, ensuring compliance with various statutory requirements and current competitive business environment.
e. Aligning remuneration of Board of Directors, KMPs and Senior Management with the long-term interests of the Company and its shareholders.
f. To ensure close coordination of NRC with RMC of the Company to achieve effective alignment between compensation and risks.
g. To ensure that the compensation packages, comprised of fixed and variable pay are aligned effectively with prudent risk taking and the compensation is adjusted for all types of risks, compensation out comes 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.

4. Objectives and Purpose of the Policy

The objectives and purpose of the policy are:

a. Selection and performance evaluation criteria for the directors and key managerial personnel (defined elsewhere),
b. performance evaluation criteria of senior management of the Company,

c. Setting out broad framework for fixing the remuneration for the Directors, Senior Management Personnel as well as Key Managerial Personnel (Chief Executive Officer, Chief Financial Officer, and Company Secretary) and other employees.

5. Applicability

All existing and any new appointments made on the Board of Directors, KMPs and Senior Management will be covered under this policy.

The policy shall be applicable to the following:
a. Board of Directors,
b. Key Managerial Personnel,
c. Senior Management, and
d. Other Employees as may be specified by the Board of Directors or the Nomination and Remuneration Committee from time to time.

6. Remuneration

The Nomination and Remuneration Committee (NRC) of the Company shall specify the manner for effective evaluation of the performance and recommend to the Board, all fees, compensation/remuneration including fixed, and variable pay and perquisites, if any, along with other long-term benefits like ESOPs, payable to Directors, the KMPs and Senior Management of the Company, subject to compliance with applicable laws.

a. Remuneration to Board of Directors:

The Remuneration/ Compensation/ sitting fees etc. to be paid to the Board of Directors, including the Managing Director shall be governed by the applicable provisions of the Companies Act, 2013, as may be made applicable from time to time.

The Company shall effectively align its compensation to business achievement, the risk parameters and ethics of the Company.

The Company shall pay the Independent Director remuneration by way of sitting fees for attending meetings of the Board and its Committees, as may be decided by the Board.

b. Remuneration to Key Managerial Personnel and Senior Management

Compensation to KMPs and Senior Management shall be made reasonable, recognizing all relevant factors including adherence to statutory requirements and industry practices. The Compensation Packages shall comprise of fixed and variable pay components, aligned effectively with prudent risk taking, ensuring that compensation is adjusted for all types of risks, its outcomes are symmetric with risk outcomes, its 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.

i. **Fixed Pay:** All the fixed items of compensation, including perquisites that are reimbursable and are subject to monetary ceilings on these reimbursements, and contributions towards superannuation/retiral benefits, shall be treated as fixed pay. Monetary equivalent of benefits of non-monetary nature such as free furnished house, use of company car etc. also be part of fixed pay.

ii. **Variable Pay:**

a. Composition: The Variable Pay shall be in the form of share linked instruments or a mix of cash and share-linked instruments.

b. Proportion: The total CTC will comprise of Fixed and variable component. Variable Pay shall be in the form of "pay at risk". Depending on performance and risk outcomes at individual, business units and company-wide level, the Variable Pay shall be truly variable and can even be reduced to zero. Variable pay will paid based on: • Annual Performance of Individuals against the pre-defined Key Performance Indicators (KPIs) • business-unit performance, and • Company's performance.

KMPs and SMPs employed in financial control, risk management, compliance and internal audit roles shall have higher proportion of Fixed Pay in the Total Compensation. However, care should be taken that reasonable proportion of Total Compensation should be in the form of Variable Pay to enable company to exercise malus and/or clawback, if required.

No amount of bonus can be guaranteed to KMPs and SMPs except for hiring/signon bonus to be paid to new hire. The said bonus shall not form part of Fixed or Variable Pay

c. Deferral of Variable Pay: Not all the variable pay compensation awarded after performance assessment may be paid immediately. Certain portion of variable pay, if the percentage of variable pay exceeds 50% of the total pay, may be deferred to time horizon of the risks. In such cases, 75% of the variable pay, will be paid immediately and the rest 25% will be deferred to one year. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. The period of deferral would not be more than 2 years from the year of award.

7. Malus and/or Claw back

Malus arrangement wherein in case of subdued or negative financial performance arising on account of gross negligence or misconduct of the KMP, the Company may withhold cash incentives/bonus or vesting of ESOPS and may lapse unvested ESOPS in accordance with the ESOPS rules

Clawback arrangement wherein in case of gross negligence or misconduct or cause as defined in the Company's code of conduct, the KMP and/or SMP shall be liable to return previously paid or vested deferred variable compensation.

The deferred compensation shall be subject to malus and/or claw back arrangements in the event of subdued / negative financial performance of the Company and/or the relevant line of business for two consecutive years (not impacted by uncontrollable economic, social, political or environmental factors) or employee misconduct in any year.

An indicative list of situations where malus and claw back arrangements can be invoked are as follows:

a. Gross wilful negligence in performing the duties and exercising the vested power(s);
b. Wilful misrepresentation of the figures, facts, data, situations etc. pertaining to the Company, before any statutory, regulatory, judicial, quasi-judicial bodies and any other such authorities.
c. Breach of trust, integrity and/or agreement.
d. Misuse of material information including un-published price sensitive information etc.

Provided, errors of judgement shall not be construed to be negligence.

Once the Company decides to invoke Malus and/or Clawback clause, it will have power to take any of the following action basis the nature and severity of trigger.

In case of Malus Clause:

- Cancel the vesting for up to 100% of entire unvested deferred share linked component including vesting remaining in future years
- Cancel payment of deferred variable pay

In case of Clawback Clause:

- Recovery of up to 100% of compensation received in the form of cash component of Variable Pay paid over the applicable period and cancellation of all future deferred variable pay. Clawback will be done on net basis.
- Recovery of up to 100% of benefit accrued to the employee on account of exercise of stock options or through any other share linked instrument granted during the applicable period
- Forfeiture of up to 100% of vested but unexercised stock options or any other share linked instrument granted during the applicable period.

The terms of appointment of KMPs and Senior Management of the Company shall be suitably amended to contain suitable clause on Malus/Clawback.

8. Reporting Requirement

The Company may place this policy on its website at www.muthoothousing.com .

9. Disclosures relating to Remuneration.

a. Reporting to the Nomination and Remuneration Committee:

The following matters shall be reported to the Nomination and Remuneration Committee:

- o Annual remuneration proposed for Directors, Key Managerial Personnel and Senior Management.
- o Employee benefit plans including deferred benefit plans and retirement plans, if any.

10. Policy Review and Updates

The Board approved policy shall be reviewed as and when required or at least annually for incorporating regulatory updates and changes, if any.

11. Disclaimer

This document is private and confidential and has been prepared solely for internal use by the Board of Directors and/or management and staff of Muthoot Housing Finance Company Limited and must not be disclosed to any third party without the written approval of the Human Resource Department. Muthoot Pappachan Group, its agents and advisors accept no responsibility, liability or duty of care to any third party for any matters, observations or conclusions which are stated or implied in this document.