

<b>Name of Document</b>	Policy on Appointment of Directors and Senior Management and Succession Planning for Orderly Succession to the Board and the Senior Management
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**MAHINDRA RURAL HOUSING FINANCE LIMITED**

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**POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT AND SUCCESSION PLANNING FOR ORDERLY SUCCESSION TO THE BOARD AND THE SENIOR MANAGEMENT**

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**A. DEFINITIONS**

The definitions of some of the key terms used in this Policy are given below:

**A.1 “Associate Company”**, in relation to another company, means a company in which that other company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

**A.2 “Act”** means the Companies Act, 2013 and Rules framed thereunder.

**A.3 “Board”** means Board of Directors of the Company.

**A. 4 “Company / MRHFL”** means Mahindra Rural Housing Finance Limited.

**A. 5 “Committee(s)”** means Committees of the Board for the time being in force.

**A.6 “Employee”** means employee of the Company whether employed in India or outside India.

**A.7 “HR”** means the Human Resource Department of the Company.

**A.8 “Key Managerial Personnel”** (KMP) refers to key managerial personnel as defined under the Companies Act, 2013 means:

- (i) the Chief Executive Officer (CEO) or the Managing Director (MD) or the manager;
- (ii) The Company Secretary (CS)
- (iii) The Whole-time Director
- (iv) the Chief Financial Officer (CFO)
- (v) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board.

**A.9 “Nomination and Remuneration Committee (“NRC”)”** shall mean a committee of the Board having the constitution, powers, functions and duties as laid down in section 178 of the Companies Act, 2013, applicable provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, RBI Guidelines and other applicable legal provisions.

**A.10 “Nominee Director”** implies a Director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any government or any other person to represent its interests.

**A.11 “Relative”** implies anyone who is related to another if they are members of HUF; if they are husband and wife; or if one person is related to the other in such manner as may be prescribed under the Act. A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely - Father (includes step-father), Mother (includes step-mother), Son (includes step-son), Son’s wife, Daughter, Daughter’s husband, Brother (includes stepbrother), Sister (includes step-sister).

**A.12 “SEBI Listing Regulations”** means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including amendments made to it from time to time.

**A.13 “Senior Management”** shall mean officers and personnel of the Company who are members of its core management team excluding Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director / Whole Time Director / Manager (including Chief Executive Officer and manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

(For removal of doubts the core management team shall comprise of Head - Affordable Housing, Head - Credit, Chief Risk Officer, Head - Human Resources, Chief Compliance Officer, Head - Strategy, Chief Investment Officer, Head - Collection, Head - Legal, and any other officer of the Company as may be decided by the CEO / MD.)

## **B. APPOINTMENT, REMOVAL & TENURE OF DIRECTORS**

### **B.1. Appointment**

**B.1.1** The NRC reviews and assesses Board composition and recommends the appointment of new Directors. The NRC ensures '**fit and proper**' status of proposed / existing directors (Schedule D). The NRC obtains additional

details of directors through declaration and undertaking. The Company obtains a Deed of Covenant signed by the directors.

In evaluating the suitability of an individual Board member, the NRC shall take into account the following criteria regarding qualifications, positive attributes and also independence of director:

**B.1.2** All Board appointments will be based on merit, in the context of the skills, experience, diversity, and knowledge, for the Board as a whole to be effective, for such tenure, as may be permissible statutorily.

**B.1.3** Ability of the candidates to devote sufficient time and attention to his / her professional obligations as Director for informed and balanced decision making.

**B.1.4** Adherence to the applicable Code of Conduct and highest level of Corporate Governance in letter and in spirit by the Directors.

**B.1.5** The Board / NRC may seek expert help in sourcing candidature for the post of Director of the Company. Based on recommendation of the NRC, the Board shall evaluate the candidate(s) and decide on the selection of the appropriate member. The prospective Board candidate shall be interviewed by at least 2 Directors as guided by the Board.

**B.1.6** The Board through the Chairman or the Managing Director will interact with the new member to obtain his/her consent for joining the Board. Upon receipt of the consent, the new Director will be co-opted by the Board in accordance with the applicable provisions of the Act. He / She may also be inducted on Committee(s) of Board at discretion of the Board.

**B.1.7** The Company shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier or in such other manner as may be permitted under the applicable law.

**B.1.8** In addition to the above criteria, the NRC may refer the following:

- 1) Policy on Board Membership Criteria- Schedule A
- 2) The Board Diversity Policy - Schedule B
- 3) Policy on Criteria for determining Independence of Directors (in case of appointment of Independent Directors) - Schedule C
- 4) RBI guideline on 'Fit and proper' criteria - Schedule D

## **B.2 Removal of Directors**

**B.2.1** If a Director is attracted with any disqualification as mentioned in any

of the applicable act, rules and regulations thereunder or due to non-adherence to the applicable policies of the Company, the NRC may recommend to the Board with reasons recorded in writing, removal of a Director subject to the compliance of the applicable statutory provisions.

**B.2.2** Upon removal of a Director, necessary disclosures as required under applicable laws and regulations shall be made forthwith.

**B.2.3** In case of such removal of a Director, the vacancy so created shall be filled up, if required, within such time as required by prevailing laws and regulations in force for the time being.

### **B.3 Tenure**

**B.3.1** The Independent Directors shall cease to hold office on completion of his/her stipulated term including re-appointment, if any, in any case, not exceeding the regulatory time limits.

**B.3.2** The NRC shall, begin the search for replacement of the retiring Director, if required, at least 6 months prior to the scheduled date of retirement and shall follow the process of appointment as detailed in section B.1 of this Policy.

### **B.4 Casual Vacancy due to Resignation of a Director**

**B.4.1** Any casual vacancy arisen due to resignation of a director shall be filled up, if required, in accordance with requirements of prevailing laws and regulations in force. The Board may decide not to fill vacancy caused at its discretion.

## **C. APPOINTMENT and REMOVAL OF SENIOR MANAGEMENT**

### **C.1 Appointment**

**C.1.1** The candidature of any senior management position shall be recommended by the MD & CEO.

**C.1.2** The MD & CEO may seek external help to source candidates for a senior management position. Such external candidate shall be interviewed by a panel of Independent Directors, with a minimum quorum of 2 Directors.

**C.1.3** In case of a candidate from the internal ecosystem of Mahindra Financial Services Sector or the Mahindra group, a panel of two independent directors may review such candidature based on the recommendations of the MD & CEO.

**C.1.4** This panel shall recommend the short-listed candidate to the NRC.

**C.1.5** NRC shall deliberate and communicate its decision to the MD & CEO for further action.

**C.1.6** NRC may identify persons from the senior management team who are qualified to become Directors and recommend to the Board about their appointment and removal.

## **C.2 Removal**

**C.2.1** Based on the recommendation of the MD / CEO, the NRC shall deliberate and communicate its decision to the MD & CEO.

**C.2.2** The NRC may solicit expert legal help, if required.

**C.2.3** If the removal is on account of causes that would trigger claw-back / malus clauses, the HR shall ensure that necessary action is taken and communicated to the concerned Senior Management Personnel.

## **D. SUCCESSION PLANNING:**

### **D.1 Purpose**

The objective of the Succession Planning process is to develop a pipeline of future talent who can take over from the incumbent Directors / Senior Management as and when such need arises. The talent Management process sets out the approach to the development and management of talent to ensure the implementation of the current and future strategic business plans of the Company.

### **D.2 Succession Planning at Board level:**

**D.2.1** The Board shall deliberate on the diversity required at the Board level to steer the Company on its path to achieve its desired strategic objectives. During the annual Board evaluation process, the Board shall discuss & deliberate on the need and timing of induction of new Directors.

**D.2.2** If required, the Board may identify suitable candidates who may be inducted as a Board member.

**D.2.3** The successors for the Independent Directors shall be identified by the NRC at least 6 months before expiry of the scheduled term (*also refer to section B.3 of this Policy*). In case of separation of Independent Directors due to resignation or otherwise, successor will be appointed at the earliest but not later than the statutory time limits as laid down by prevailing laws and regulations (*also refer to section B.2 and B.4 of this Policy*).

**D.2.4** The Company shall ensure that approval of shareholders for appointment

of a person on the Board of Directors as an Independent Director is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier.

**D.2.5** The appointment, re-appointment or removal of an Independent Director of the Company, shall be subject to the approval of shareholders by way of a special resolution or in such other manner as may be permitted under the applicable law.

**D.2.6** No Independent Director, who resigns from the Company, shall be appointed as an executive/ whole time director on the Board of the Company, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an Independent Director.

**D.2.7** The successor(s) for the Executive Director(s) shall be identified by the NRC from among the Senior Management or through external source as the Board may deem fit. The NRC may commence this process ideally one year prior to retirement of the Executive Director but no later than 6 months prior to the retirement.

### **D.3 Succession Planning for Senior Management Personnel:**

**D.3.1** All Senior management and KMP positions are considered as critical positions.

**D.3.2** The MD & CEO along with the Head - Human Resources will review the talent pipeline for each of these positions at least once in a every six months. The same would be reviewed by the NRC once in a year.

#### **D.3.3 Framework for Succession planning process**

**D.3.3.1** Potential successors for each critical position would be identified considering:

- Career progression plan for the current incumbent
- Retirement timeline of the current incumbent
- Need for a successor in an emergency scenario
- Readiness level of the potential candidates

**D.3.3.2** All efforts would be made to ensure that critical positions are occupied by high potential talent.

**D.3.3.3** All efforts would be made to identify potential successors from within MRHFL, Mahindra Financial Services Sector or the Mahindra group.



**D.3.3.4** In the absence of suitable internal talent, external candidates would be considered to fill the positions.

**D.3.3.5** Process of Succession Planning for the Senior Management would be aligned to the Talent management practice at the Mahindra group.

**D.3.3.6** Wherever possible efforts would be made to identify more than one potential successor for each critical position.

**D.3.3.7** For the identified successors, appropriate interventions like training, coaching, projects, special assignments, job rotations would be done to cover Education, Exposure and Experience to prepare them for the identified roles.

**Scope of Policy**

In the event of any conflict between the provisions of this Policy and the SEBI Listing Regulations / the Act and rules thereunder, RBI guidelines / circulars, notification, etc. or any other statutory enactments, the SEBI Listing Regulations / Act and rules made thereunder, RBI guidelines / Circulars, notification, etc. or any other statutory enactments shall prevail over this Policy.

The Board may, subject to applicable laws, amend any provision(s) or substitute any of the provision(s) with the new provision(s) or replace the policy entirely with a new policy, based on the recommendation(s) of NRC, from time to time. Statutory/ regulatory provisions and any amendments thereon, made from time to time shall be binding on the Company and will be complied even if not specifically incorporated in this Policy.

The remuneration of Directors and Senior Management shall be governed by the Policy on Remuneration of Directors, and Policy on Remuneration for Key Managerial Personnel, Senior Management Personnel and other employees.

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**SCHEDULE A - POLICY ON CRITERIA FOR BOARD MEMBERSHIP**

- The NRC works with the Board to determine the appropriate characteristics, skills and experience for the Board as a whole and its individual members with the objective of having a Board with diverse backgrounds and relevant experience in business.
- The proposed candidate should have a valid Director Identification Number (“DIN”), should not be disqualified/ debarred from acting as a Director by any statutory/ regulatory authority, should comply with all the applicable conditions as required statutorily for appointment as Director at the time of appointment and shall continue to comply with such conditions during his/ her tenure as Director of the Company.
- Characteristics/ Skills expected of all Directors include Business experience, Financial Expertise, Marketing expertise, high personal and professional ethics, ability to evaluate emerging trends in banking and housing finance industry across the globe, ability to participate constructively in deliberations, willingness to exercise authority collectively, etc.

In evaluating the suitability of individual Board members, the NRC may consider many factors, including one or more skills such as Business experience, financial experience and risk oversight, technology and innovation, Governance and Regulatory oversight and Consumer Insights and Marketing Exposure (mainly rural and semi-urban markets).

- The Board evaluates each individual in the context of the Board as a whole, with the objective of having a group that can best perpetuate the success of the Company's business and represent stakeholders' interests through the exercise of sound judgment, using its diversity of experience.
- In determining whether to recommend a Director for re-election, the NRC also considers the Director's past attendance at meetings, participation in meetings and contributions to the activities of the Board/Committees, and the results of the most recent evaluation.
- The Board members are expected to rigorously prepare for, attend and participate in all Board and applicable committee meetings as well as the general meetings of the Company. Each member is expected to ensure that their other current and planned future commitments do not materially interfere with their responsibilities at the Company.

**SCHEDULE B - THE BOARD DIVERSITY POLICY****1. Purpose**

The Board Diversity Policy ('the Policy') sets out the approach to diversity on the Board of Directors (the 'Board') of Mahindra Rural Housing Finance Limited ('MRHFL' or 'the Company').

**2. Policy Statement**

MRHFL recognises and embraces the benefits of having a diverse Board and perceives increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, professional experience, background and other distinctions between Directors. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective and with due regard to benefits of diversity on the Board.

The Nomination and Remuneration Committee ('the Committee') reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. The Committee also oversees the conduct of the annual review of Board effectiveness.

- In reviewing Board composition, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in-order to enable it to discharge its duties and responsibilities effectively.
- In identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.
- As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Committee will consider the balance of skills, experience, independence and knowledge of the Company on the Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.

**3. Review of the Policy**

The Committee will review the Policy annually, which will include an assessment of the effectiveness of the Policy. The Committee will discuss any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

**SCHEDULE C - POLICY ON CRITERIA FOR DETERMINING  
INDEPENDENCE OF DIRECTORS**

**1. PURPOSE**

The purpose of this Policy is to define guidelines that will be used by the NRC / Board to assess the independence of Directors of the Company.

**2. INDEPENDENCE GUIDELINES**

An Independent Director will need to 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.

A Director is considered independent if the Board makes an affirmative determination after a review of all relevant information. The criteria of Independence shall be as laid down in the Act and SEBI Listing Regulations.

The NRC ensures that there is no conflict of interest in appointment of directors and their independence is not subject to potential threats.

The Board forms an opinion on the integrity, relevant expertise and experience of the proposed candidate considering the following criteria of independence as laid down in the Act and SEBI Listing Regulations as amended from time to time.

An Independent Director in relation to a Company, means a non-executive director other than a managing director or a whole-time director or a nominee director –

- 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 or member of the promoter group of the Company;  
  
(ii) who is not related to promoters or directors in the Company, its holding, subsidiary or associate company;
- c) who, apart from receiving director's remuneration, has or had no pecuniary relationship exceeding ten per cent. of his total income or such amount as may be prescribed under the Act, / SEBI Listing Regulations with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the three immediately preceding financial years or during the current financial year;

d)  
(i) none of whose relatives has or had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two percent or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed under the Act, SEBI Listing Regulations whichever is lower, during the three immediately preceding financial years or during the current financial year and who meets the other prescribed criteria;

(ii) none of whose relatives –

A. is holding any security of or interest in the Company, its holding, subsidiary or associate company during the three 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;

B. 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 under the Act / SEBI Listing Regulations (i.e. fifty lakh rupees) during the three immediately preceding financial years or during the current financial year;

C. 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 under the Act / SEBI Listing Regulations during the three immediately preceding financial years or during the current financial year; or

D. 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 (A), (B) or (C);

Provided that the pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (A) to (D) above shall not exceed two percent of its gross turnover or total income or fifty lakh rupees or such higher amount as may be specified from time to time, whichever is lower.

e) who, neither himself / herself nor any of his / her relatives –

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

Provided that in case of a relative who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her 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 /she 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 percent or more of the gross turnover of such firm;

- (iii) holds together with his relatives two percent 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 organization that receives twenty-five percent or more of its receipts or corpus from the Company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two percent or more of the total voting power of the Company; or

- (v) is a material supplier, service provider or customer or a lessor or a lessee of the Company.

f) who is not less than 21 years of age.

g) who is not a non-independent director of another company on the board of which any non-Independent Director of the Company is an Independent Director.

NRC will 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 will need to have the skills and capabilities identified in such description. NRC will also recommend the manner in which the person identified as an Independent Director meets such requirements.

For the purpose of identifying suitable candidates, the NRC may:

- a. use the services of an external agency(ies), 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.

Further, an Independent Director, who resigns from the Company, shall not be appointed as an executive/ whole time director on the Board of the Company, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an Independent Director of the Company.

The Board will also take into consideration any circumstance or situation, which exists or may be reasonably anticipated, that could impair or impact the ability of the proposed candidate to discharge his/her duties with an objective independent judgement and without any external influence.

Explanations:

Consecutive Terms: He / She shall be eligible for appointment as Independent Director after the expiration of three years of ceasing to be a Director on the Board of the Company provided that he/ she shall not during the said period of three years, be appointed in or associated with the Company in any other capacity, either directly or indirectly.

**SCHEDULE D - FIT AND PROPER CRITERIA**

The importance of due diligence of Directors to ascertain suitability for the post by way of qualifications, technical expertise, track record, integrity, etc. needs no emphasis for any financial institution. While the RBI carries out due diligence on Directors before issuing Certificate of Registration to the Company, it is necessary that Company put in place an internal supervisory process on a continuing basis. The Company ensures that the procedures mentioned below are followed and minimum criteria is fulfilled by the persons before they are appointed on the Boards:

1. The Company undertakes 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. The Company obtains necessary information and declaration from the proposed / existing Directors as per the prescribed format.
2. The process of due diligence is undertaken at the time of appointment/ renewal of appointment.
3. The Board constitutes Nomination Committees to scrutinize the declarations.
4. Based on the information provided in the signed declaration, Nomination Committees should decide on the acceptance or otherwise of the Directors, where considered necessary.
5. The Company should obtain annually as on 31st March a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith.
6. The Board must ensure in public interest that the nominated / elected Directors execute the Deeds of Covenants in the prescribed format.