

**POLICY ON TERMS AND CONDITIONS FOR APPOINTMENT OF INDEPENDENT
DIRECTORS /PUBLIC INTEREST DIRECTORS**

(Version 01)

Owner: Legal and Secretarial Department

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1. Introduction /Background / Purpose of the Policy:

In accordance with SEBI Observations received via Letter dated March 28, 2024, Central Depository Services (India) Limited was advised to formulate a policy on Terms and Conditions for Appointment of Independent Directors /Public Interest Directors in compliance with Regulation 46(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 which requires every listed entity to disseminate and make available under a separate section on its website, terms and conditions of appointment of Independent Directors.

While CDSL is already compliant with the said Regulation, it is now being formalized into a policy.

2. Definitions:

“Policy” means this Policy on Terms and Conditions for Appointment of Independent Directors /Public Interest Directors (PID).

“SEBI Listing Regulations”/ SEBI LODR means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and amendments thereto.

“SEBI D&P Regulations 2018” means SEBI (Depositories & Participants) Regulations, 2018 and amendments thereto.

“CDSL” or the **“Company”** means Central Depository Services (India) Limited.

“Governing Board/Board of Directors” shall mean the Board of Directors of the Company, as constituted from time to time.

3. Interpretation:

All words and expressions used but not defined in this Policy shall have the same meaning as defined in the Companies Act, 2013 read with Rules made thereunder, SEBI Listing Regulations, SEBI (Depositories and Participants) Regulations, 2018, the Depositories Act, 1996 and any other laws applicable to the Company including any statutory modification(s) or re-enactment thereof as the case may be.

The broad terms and conditions of appointment of Independent Directors /Public Interest Directors are reproduced hereunder:

4. **Appointment:**

Appointment as a Public Interest Director (PID) on the Governing Board of CDSL shall be for a tenure of three (3) years, extendable by another term of three (3) years, subject to the performance review in the manner as may be specified by SEBI and SEBI (D&P Regulations 2018). Independent Directors/PIDs shall not be liable to retire by rotation and their appointment/re-appointment shall be governed by the provisions of the Companies Act 2013 ("the Act"), D&P Regulations 2018, SEBI Listing Regulations and Articles of Association of the Company and other applicable laws.

5. **Committees:**

The Company has duly constituted various statutory and voluntary Committees under the provisions of the Act, SEBI LODR, SEBI D&P Regulations, 2018 and SEBI circulars thereunder, and other applicable laws. Independent Directors/ PIDs may be appointed as a Member/Chairperson in any of the Committees as per the decision of the Governing Board and guided by directions of SEBI from time to time. The terms of reference of such Committees, forming part of the SEBI circular dated January 10, 2019, as amended from time to time attached as **Annexure I**.

Provided that an Independent Director/PIDs shall not serve as:

(a) an Independent Director/PIDs in more than the prescribed number of Companies and (b) a Committee Member of more than the prescribed number of Committees including Chairmanship of such Committees.

as per the laws applicable to the Company.

6. **Role of Independent Directors /Public Interest Director:**

Independent Directors/ PIDs are expected to bring objectivity and independence of view to the Board/Committees, if any, and to help provide the Governing Board with insight and effective leadership in relation to the Company's strategy, performance and risk management as well as ensuring high standards of financial probity and Corporate Governance. Independent Directors/ PIDs are also expected to observe and comply with applicable law, the charter documents of the Company and the rules, regulations and policies/codes of the Company, in relation to their Directorship and the business of the Company.

As per the provisions of the Act, the Company shall give the PIDs an advance notice of minimum of 7 days before every Board and Committee meeting. A meeting of the Board/ Committee may be called at shorter notice to transact urgent business.

Independent Directors/ PIDs shall meet separately, at least once in six months to exchange views on critical issues.

7. The terms of reference of PID meeting are as under:

1. Help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
2. Bring an objective view in the evaluation of the performance of Board and Management;
3. Scrutinize the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance;
4. Satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
5. Safeguard the interests of all stakeholders, particularly the minority shareholders;
6. Balance the conflicting interest of the stakeholders;
7. Determine appropriate levels of remuneration of Executive Directors, Key Managerial Personnel and Senior Management and have a prime role in appointing and where necessary recommend removal of Executive Directors, Key Managerial Personnel and Senior Management;
8. Moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest;
9. Review the performance of Non-Independent Directors and the Board as a whole and its Committees;
10. Review the performance of the Chairperson of the Company, considering the views of Executive Directors and Non-executive Directors;
11. 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;
12. Reviewing the status of compliance with SEBI letters/ circulars;
13. Reviewing the functioning of regulatory departments including the adequacy of resources dedicated to regulatory functions, etc.;
14. Preparing a report on the working of the Committees of which they are member and circulate the same to other PIDs. The consolidated report in this regard shall be submitted to the governing Board of the Company;
15. Identifying the important issues which may involve conflict of interest for the Company or may have significant impact on the market and report the same to SEBI, from time to time;
16. Exchange views on critical issues;
17. PIDs should have regular oversight on observations of SEBI's inspections particularly on issues related to-
 - i. Governance standards – Conflict of interest

- ii. Technology and Cyber Security issues
 - iii. System Audit & Cyber Security Audit observations
18. Technology related issues are important in the MII space and they may be reviewed by PIDs preferably on a quarterly basis;
 19. PIDs should be proactive in identifying any issues concerning functioning of MII and report the same to SEBI. PIDs should ensure all regulatory communications / letter from SEBI are placed before board with comments / report of MD & CEO;
 20. PIDs to ensure that appointments of MD / CEO be held within specified timelines. Identifications of KMPs be closely scrutinized as per the laid down procedure and exceptions should be brought to the notice of SEBI;
 21. PIDs to independently evaluate investments made by MIIs into unrelated areas;
 22. PID should take proactive part in deliberations of different Committees and steer their functioning;
 23. PIDs to have a mechanism to have a regular review of regulatory requirements. They may also have a regular interaction with SEBI regarding any clarifications, if required;
 24. PIDs should evaluate the profitability margins of MIIs. Adequacy of resource allocation (both financial & human) towards regulatory compliances to be ensured. It is observed that the EBITDA margins and PAT margins of MIIs are among the highest in the country.
 25. The Governing Board should be well-informed about both the qualitative and quantitative flow of information.

8. Functions, Responsibilities and Duties:

The Independent Director will perform his/her fiduciary duties in a responsible manner and his/her general legal responsibilities to the Company will be at par with a Non-Executive Director. The Governing Board, as a whole, is collectively responsible for ensuring the success of the Company by directing and supervising the Company's affairs. The PIDs shall safeguard the interests of all stakeholders, particularly the minority shareholders, and balance the conflicting interest of the stakeholders.

- A. As a member of the Board, you along with the other Directors will be collectively responsible for meeting the objectives of the Board which shall include:
 - Requirements under the Companies Act, 2013,
 - Responsibilities of the Board as outlined in the Listing Regulations,
 - Accountability under the Directors' Responsibility Statement.
- B. You shall abide by the 'Code for Independent Directors' as outlined in Schedule IV to Section 149(8) of the Act, and the duties of Directors as provided in the Act

(including Section 166) and in Regulation 4(2)(f) of the Listing Regulations.

C. You will provide guidance in your area of expertise.

9. Directors Familiarization Program:

The Company shall provide atleast seven (7) days of training to every Independent Directors/PIDs each year. CDSL conducts Familiarization Program for Independent Directors about their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company, etc., through various initiatives. However, the Company extends the same for all the new Directors including the PID and other Executive & Non-Executive Directors.

10. Availability of Directors and Officers (D & O) Insurance:

The Company has Directors' and Officers' ("D&O") liability insurance, and it is intended to maintain such cover for the full term of the Appointment.

11. Remuneration & Expenses:

Directors are entitled to sitting fees for attending each meeting of the Board and Committee (if member of any) as per the Company's policy and Articles of Association of the Company, as amended from time to time. Further, the Company shall reimburse the out-of-pocket expenses incurred by a Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/ Committee meetings, general meetings, court convened meetings, meetings with shareholders/ creditors/ management, site visits, induction and training (organized by the Company for Directors) and in obtaining professional advice from independent advisors in furtherance of his/her duties as a Director.

Note: As per Regulation 25(9) of the D&P Regulation, Public Interest Directors shall be remunerated only by way of sitting fees as admissible to Independent Director in the Companies Act.

12. Code of Conduct:

The Governing Board has put in place Code of Conduct i.e. Code of Conduct for Directors and Senior Management and Code of Conduct For Governing Board, Directors, Committee Members & Key Management Personnel which Independent Directors/PIDs will be required to comply with.

The Independent Directors/ PIDs are also required to comply with Company's Code of Conduct for Prohibition of Insider Trading, Code of Conduct to Regulate, Monitor and Report Trading in Securities of Other Listed Entities by Designated Persons as an Intermediary and Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and the relevant provisions under the Act, SEBI LODR, and D&P Regulation 2018.

13. Evaluation:

The performance evaluation of the Independent Directors/PIDs is subject to provisions of the Act, SEBI LODR, D&P Regulation 2018, SEBI circular on performance review of PIDs dated February 5, 2019, including any amendments thereto and be guided by directions of SEBI from time to time. All Independent Directors/ PIDs shall be subjected to internal evaluation as well as external evaluation, carrying equal weightage.

Internal evaluation: All the Governing Board members shall evaluate the performance of each Independent Directors/PIDs on an annual basis at the end of every financial year.

External evaluation: Independent Directors/ PIDs shall also be subject to external evaluation during their last year of the first term in the Company, by a management or a human resource consulting firm.

14. Time Commitment:

While accepting the appointment, the Independent Director/PIDs will allocate sufficient time to perform his/her duties as a Director and attend meetings of the Board or any Committee thereof.

15. Conflict of Interest:

The Governing Board of the Company shall also take into consideration provisions of Clause 3(b) of Schedule III Part B (II-B) of SEBI (Depositories and Participants) Regulations, 2018 under the head Applicable to the Directors and Committee Members. In case any conflict of interest arises in a matter the same shall be decided by the Governing Board.

The Independent Director/PIDs shall identify important issues which may involve conflict of interest for the Company, or may have significant impact on the functioning of the Company, or may not be in the interest of securities market. The same shall be reported to the SEBI in a time-bound manner as may be decided by the Company.

Further, Independent Director/PIDs shall also keep Governing Board apprised of any conflict of interest, which may arise as a result of them providing services, either directly or indirectly, to depository participants or their associates and agents. They shall also provide a declaration on affirmation of the conflict of interest policy of the Company on an annual basis.

16. Changes in personal details:

During the Term, they shall promptly intimate the Company Secretary and the Registrar of Companies in the prescribed manner, of any change in address or other contact and personal details provided to the Company.

17. Disengagement:

The Independent Directors/PIDs may resign as Director of the Company by giving advance notice in writing to the Company stating the reasons for resignation.

Their appointment may also be terminated in accordance with applicable laws to the Company.

18. Confidentiality:

Unless specifically authorized by the Company, the Independent Director/ PIDs shall not disclose Company and business information to public constituencies such as the media, the financial community, employees, members, agents etc. and no such information shall be used for personal gains.

Independent Directors/PIDs' obligation to maintain confidentiality shall survive even after termination or cessation of Directorship with the Company.

19. Miscellaneous:

1. Independent Directors/ PIDs shall give an annual declaration as required under the provision of Section 149(7) of the Companies Act, 2013 and the rules made thereunder and Regulation 25(8) of SEBI Listing Regulations and also in the event of any change in circumstances that may affect his/her status as Independent Directors/ PIDs.
2. Independent Directors/PIDs shall give disclosure of interest as per the requirements of Section 184 of the Act.
3. An Independent Director/ PIDs shall not serve as an Independent Director in more than seven listed companies pursuant to Regulation 17A of SEBI Listing

Regulations.

4. Further, an Independent Director/PIDs who is serving as a Whole-Time Director/Managing Director in any listed Company shall not serve as an Independent Director/PID in more than three listed Companies pursuant to Regulation 17A of SEBI Listing Regulations.
5. Any other disclosures/declarations will be provided by the Independent Director/ PIDs as may be required in terms of the Companies Act, 2013, SEBI LODR, D&P Regulation 2018 and other applicable laws.

20. Review / Amendments to Policy:

The Policy would be reviewed as and when deemed necessary by the Board of Directors. In case, there are any regulatory/statutory changes requiring modifications to the Policy, the Policy shall be reviewed and amended with due approval from the Board of Directors. However, the amended regulatory/statutory requirements will supersede the existing Policy till the time the Policy is suitably amended.

21. Disclosure:

The Policy on Terms and Conditions for Appointment of Public Interest Directors/ Independent Directors shall be disclosed on the Company's website.