

## **NOMINATION AND REMUNERATION POLICY**

**(Version 10)**

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## 1. Introduction/Background/Purpose of the Policy:

The Board of Directors (**“Board”**) of Central Depository Services (India) Limited (**“Company”**) constituted the Nomination and Remuneration Committee (**“NRC”**), and the same was re-constituted from time to time.

In compliance with the requirements set out under Section 178 of the Companies Act, 2013 (**“Companies Act”**), and Regulation 19(4) read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“SEBI Listing Regulations”**) and SEBI (Depositories and Participants) Regulations, 2018, (**“D&P Regulations”**) the NRC has formulated this Nomination and Remuneration Policy/Compensation Policy (**“Policy”**) in order to set our principles, parameters and governance framework of the Appointment and Remuneration for Directors, Managing Director & CEO, Key Management Personnel, Independent External Professionals (IEPs) and employees of the Company.

While formulating this Policy, the NRC has considered the factors laid down under Section 178(4) of the Companies Act, which are as under:

- (i) the level and composition of remuneration is reasonable and sufficient to attract, retain, and motivate Directors of the quality required to run the Company successfully;
- (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iii) remuneration to Directors, Key Management Personnel, 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.

Further, in terms of D&P Regulations, NRC shall also determine the compensation of Key Management Personnel.

This Policy will assist the Governing Board to fulfill its responsibility by way of recommendation from the NRC to attract, retain, and promote the aforesaid personnel with respect to their remuneration in line with the corporate and individual performances.

This Policy also relies on the service rules, resolutions approved by the Governing Board or Committee, internal controls, policies and guidelines framed by the Company which were earlier approved by the Governing Board from time to time.

## 2. <sup>1</sup>[Objective]:

To identify persons who are qualified to become directors and who may be appointed as Key Management Personnel as per the criteria laid down and recommend their names to the Governing Board for appointment or removal.

To evaluate skills, knowledge, expertise, and experience for the position on the Governing Board or for Key Management Positions.

NRC shall evaluate the remuneration that is payable to the Directors, Managing Director & CEO, and Key Management Personnel and recommend the same to the Governing Board.

## 3. Scope:

The NRC shall evaluate the remuneration from time to time to recommend to the Governing Board depending upon the profitability and financial performance by the Company for each financial year subject to the thresholds prescribed by the provisions of applicable laws including the provisions of the Companies Act, if any.

## 4. DEFINITIONS:

### 4.1. <sup>2</sup>[[

4.2. “NRC” means the Nomination and Remuneration Committee constituted by the Governing Board and as reconstituted from time to time.

4.3. “**Depository Regulations/D&P Regulations**” means the SEBI (Depositories & Participants) Regulations, 2018, as amended from time to time, read along with rules, circulars and notifications as may be issued by SEBI thereunder.

4.4. “**Director**” means a Director appointed on the Governing Board of CDSL.

4.5. “**Fit and proper person**” includes a person if-

- (a) such person has a general reputation and record of fairness and integrity, including but not limited to-
  - (i) financial integrity;
  - (ii) good reputation and character; and
  - (iii) honesty;

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<sup>1</sup> Inserted via amendment approved on March 21, 2025

<sup>2</sup> Deleted via amendment approved on March 21, 2025

- (b) such person has not incurred any of the following disqualifications-
- (i) the person or any of its whole time directors or managing partners has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
  - (ii) an order for winding up has been passed against the person;
  - (iii) the person, has been declared insolvent and has not been discharged;
  - (iv) an order, restraining, prohibiting or debarring the person or any of its whole time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by SEBI or any other regulatory authority and a period of three years from the date of the expiry of the period specified in the order and such period has not elapsed;
  - (v) any other order against the person, or any of its whole time directors or managing partners, which has a bearing on the securities market, has been passed by SEBI or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
  - (vi) SEBI has initiated recovery proceedings under the SEBI Act, 1992, and are pending adjudication before a competent authority;
  - (vii) the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
  - (viii) the person is not financially sound or has been categorized as a willful defaulter; and
  - (ix) any other disqualification as specified by SEBI from time to time.

**4.6. “Governing Board/ Board”** means the Board of Directors of a Company.

**4.7. “Independent Director”** means a Director referred to in Section 149(6) of the Companies Act and Regulation 16 (1) (b) of SEBI Listing Regulations

**4.8. “Independent External Professional(s) [IEPs]”** means an Independent person eligible for being appointed as member of the applicable Committees constituted in terms of SEBI (D&P) Regulations, 2018, in accordance with the guidelines for IEPs.

**4.9. <sup>3</sup>“KMP” or “KMPs”** for the purpose of this policy shall include:

- I. **“Key Managerial Personnel”** as defined under the Companies Act, 2013
- II. **“Key Management Personnel”** as defined under the SEBI

<sup>3</sup> Inserted via amendment approved on March 21, 2025

(Depositories and Participants) Regulations, 2018

- III. **“Senior Management”** as defined under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015]

4.10.<sup>4</sup> []

4.11.<sup>5</sup> []

4.12. **“Member”** means a member appointed on the Committee of the Board.

4.13. **“Public Interest Director”** means an Independent Director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the SEBI, is in conflict with his role.

4.14. **“Regulatory, Compliance, Risk Management and Investor Grievances Function”** means function as specified under Vertical 2 of fourth schedule of D&P Regulations and includes the following functions:

- (i) Risk management;
- (ii) Surveillance and investigation;
- (iii) Participant registration;
- (iv) Issuer or securities admission;
- (v) Compliance;
- (vi) Inspection;
- (vii) Enforcement;
- (viii) Arbitration and Grievance Redressal Mechanism;
- (ix) Investor protection and services

4.15. **“SEBI”** means Securities and Exchange Board of India.

4.16. **“Non-Independent Director”** means a director elected or nominated by the shareholders who are neither depository participants nor their associates and agents;”

Explanation:

- (i) The Managing Director shall be included in the Category of Non – Independent Director.
- (ii) Any employee of a depository may be appointed on the Board in addition to the managing director, and such a director shall be deemed to be a Non – Independent Director

Unless the context otherwise requires, words and expressions used in this

<sup>4</sup> Deleted via amendment approved on March 21, 2025

<sup>5</sup> Deleted via amendment approved on March 21, 2025

Policy and not defined shall have the meaning prescribed to them under the Companies Act, SEBI (D&P) Regulations, and the SEBI Listing Regulations as may be amended from time to time.

#### 4.17.<sup>6</sup>]

<sup>7</sup>*(In case of any subsequent regulatory changes in the aforesaid definition(s), the amended definition(s) would prevail. The provisions of the Policy would be modified in due course to make it consistent with regulations.)*

## 5. **ROLES AND RESPONSIBILITIES:**

### 5.1. **ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE:**

5.1.1 The NRC is constituted by the Governing Board and leads the process for appointment and remuneration of Directors, KMPs and Independent External Professionals in accordance with the requirements of the Companies Act, D&P Regulations, SEBI Listing Regulations and any applicable regulations/guidelines/letters/circulars or any other statutory directives issued by SEBI from time to time.

5.1.2 All the Board appointments are based on merits. The role of the NRC, as identified by the Board and mandated by SEBI, is as follows:

- a. identify persons who are qualified to become Directors and who may be appointed in KMP roles in accordance with the criteria laid down, and recommend to the Governing Board their appointment and removal;
- b. shall specify the manner for effective evaluation of performance of Governing Board, its committees and individual directors;
- c. shall formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Governing Board a policy relating to the remuneration for the Directors, Key Management Personnel, and other employees;
- d. formulation of criteria for evaluation of performance of Public Interest Directors and the Board of Directors;
- e. devising a policy on diversity of Board of Directors;
- f. evaluate the balance of skills, knowledge, and experience on the Governing Board for every appointment of public interest director

<sup>6</sup> Deleted via amendment approved on March 21, 2025

<sup>7</sup> Inserted vide Board approval dated February 01, 2023



and on the basis of such evaluation, prepare a description of the role and capabilities required of a public interest director. The person recommended to the Governing Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- i. use the services of external agencies, if required;
  - ii. consider candidates from a wide range of backgrounds, giving due regard to diversity; and
  - iii. consider the time commitments of the candidates.
- g. whether to extend or continue the term of appointment of the Public Interest Director, on the basis of the report of performance evaluation of Public Interest Directors;
  - h. recommend to the Governing Board, all remuneration, in whatever form, payable to KMPs;
  - i. Identifying Key Management Personnel, other than those as specifically provided in its definition under D&P Regulations, 2018;
  - j. Lay down the policy for compensation of key management personnel in terms of the compensation norms prescribed by SEBI;
  - k. Determining the compensation of KMPs in terms of the compensation policy;
  - l. Determining the tenure of a Key Management Personnel, other than a Director, to be posted in a regulatory department;
  - m. selection of Chief Executive Officer (CEO) /Managing Director / Executive Director.
  - n. shall have the discretion to decide whether a person possesses the required qualifications, expertise, and experience for being appointed as an Independent External Professional and power to appoint such person on statutory committees in accordance with the general guidelines laid down by SEBI with respect to the composition of such Committees.
  - o. Framing & reviewing the performance review policy to carry out evaluation of every director's performance, including that of the Public Interest Director (PID).

### **POLICY DETAILS:**

## **6. CONSTITUTION OF THE NRC:**

6.1 [<sup>8</sup>] The NRC may include NIDs, IEPs along with PID's. IEPs may be part of the

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<sup>8</sup> Pursuant to SEBI Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019

committee only for the limited purpose of recommendation relating to selection of the MD &CEO.

6.2 The Governing Board shall reconstitute the NRC as and when required to comply with the provisions of the Companies Act and applicable statutory requirements, including the D&P Regulations and the SEBI Listing Regulations.

6.3 A member of the NRC is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. The NRC may invite such executives, as it considers appropriate, to be present at the meetings of the NRC.

## **7. <sup>9</sup>[APPOINTMENT, REAPPOINTMENT, TENURE, REMUNERATION, RETIREMENT AND REMOVAL OF DIRECTORS:**

### **7.1 General appointment Criteria and Qualifications:**

7.1.1 The NRC shall apply a comprehensive due diligence process to determine the suitability of every person who is being considered for being appointed or reappointed as a Director on the basis of his/her educational qualification, experience, and track record. The Governing Board shall comprise of Directors having the requisite qualifications and experience in the areas of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration. The Governing Board shall have at least one Public Interest Director having the requisite qualification and experience in each of the areas of capital markets, finance and accountancy, legal and regulatory practice, and technology. The Company may also appoint Directors having qualification and experience in other areas which may be specific to them.

7.1.2 The NRC has the discretion to decide whether qualifications, expertise and experience possessed by a person are satisfactory for the concerned position. Further, the NRC shall also take into consideration any other criteria for appointment, as may be set out in the Company's internal policies.

7.1.3 Characteristics expected of all Directors include integrity, high personal and professional ethics, sound business judgment, ability to participate constructively in deliberations, and willingness to exercise authority in a collective manner. While all appointments/re-

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<sup>9</sup> Amended via amendment approved on March 21, 2025

appointments on the Governing Board are made on merit, the diversity of Board in aggregate will be of immense strength to the Board in guiding the Company successfully through various geographies. In reviewing and determining the Board composition, the NRC will consider the merit, skill, experience, gender, and other diversity of the Board. In determining whether to recommend a Director for re-election/reappointment, the NRC will also consider the Director's past attendance at meetings, participation in meetings, and contributions to the activities of the Board, and the results of the most recent Board self-evaluation. The process for evaluation shall be as per the "Board Evaluation Policy";

- 7.1.4 Any appointment, re-appointment, and remuneration of a Director of the Company shall be subject to the recommendation of the NRC to the Board;
- 7.1.5 All the directors shall fulfill the criteria of fit and proper persons at all times and should not be associated with any Depository Participant, Trading Member or Clearing Member in terms of regulation 24(9), 24(10) read with regulation 2(1)(c) of the D&P Regulations and compliance with the requirements specified in regulation 24(14) of the D&P Regulations;
- 7.1.6 Director shall not be a depository participant or their associates and agents at all times;
- 7.1.7 No person shall be eligible to be appointed as Director if he/she is a Director of a Depository Participant or their associates and agents;
- 7.1.8 A person who is a director in an entity, that itself is a depository participant or has associate(s) as depository participant, he/she will be deemed to be a depository participant:

Provided a person shall not be deemed to be Depository Participant or their associate for the above purpose, if he/she is on the board of a Public Financial Institution or Bank which is in public sector, or which has no identifiable ultimate promoter, or the ultimate promoter is in public sector or has well diversified shareholding, and such Public Financial Institution or Bank or its associate is a Depository Participant:

- 7.1.9 The Company shall provide training or induction to all Directors as per applicable regulations.

## **7.2 Specific Criteria for Appointment/Re-appointment of Public Interest Director:**

- 7.2.1 The Public Interest Director shall be eligible to be appointed as Director even if he/she is an independent director on the board of associates of Public Financial Institution or Bank in public sector, who is a Depository Participant and where the majority shareholding is that of such Public Financial Institution or Bank in public sector;
- 7.2.2 A Public Interest Director on the board of a depository shall not act simultaneously as Director on the board of its subsidiary or on the board of any other depository or recognized stock exchange or recognized Clearing Corporation or on the board of subsidiary of such other depository or recognized stock exchange or recognized clearing corporation;
- 7.2.3 The number of Public Interest Directors on the Board shall not be less than the number of the Non-Independent Directors of the Company;
- 7.2.4 The Public Interest Directors shall be appointed with the prior approval of SEBI;
- 7.2.5 SEBI vide its email dated November 02, 2023, and subsequent emails received, advised to get a mandatory reference check done by a Human Resource (HR) agency of the Public Interest Directors candidates being proposed to SEBI for getting appointed as a Director on the Board. The Nomination and Remuneration Committee and Governing Board shall examine such report and give confirmation to SEBI that the recommended candidates are found to be satisfactory on the knowledge and professional skillset; past conduct including integrity; and interpersonal skills;
- 7.2.6 SEBI has mandated to adhere to skill evaluation metrics to assess applications of new or existing Public Interest Directors for their appointment and/or reappointment and recommending their names to the Governing Board;
- 7.2.7 A Director is considered independent if the Governing Board makes an affirmative determination after a review of all relevant information. The Committee and Governing Board shall adhere to the standards set out under Section 149 of the Companies Act, D&P Regulations, and the SEBI Listing Regulations to assist in making such determinations of independence. If any issue arises as to whether an assignment or position of a Public Interest Director is in conflict with his/her role, SEBI's decision shall be final.
- 7.2.8 For appointment of PID's, the Governing Board, after its approval, shall submit the brief profiles of at least two prospective candidates to SEBI.

Upon review, SEBI shall prima facie shortlist and give No Objection Certificate (NOC) to one candidate. The Company shall collect all other information and documents required under the extant regulations from the shortlisted candidate and submit the same to SEBI. A minimum of two names shall be submitted to SEBI for each vacancy of public interest directors, two months before such vacancy.

7.2.9 The Public Interest Directors shall be selected from diverse fields such as capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration.

7.2.10 While deciding to select a particular person as a Public Interest Director, the Committee shall also take into account the following factors:

- (a) Qualification and experience as specified in Regulation 24(14) of D&P Regulations viz in the areas of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management, and management or administration.
- (b) At least one Public Interest Director having the requisite qualification and experience in each of the areas of capital markets, finance and accountancy, legal and regulatory practice, and technology.
- (c) Persons currently holding positions of trust and responsibility in reputed organizations or person who have retired from such positions.
- (d) Persons who are likely to have interested positions in commercial contracts and financial affairs of depository may be excluded. Also, persons who are regular traders/speculators in the market or are Director in the board of the applicant of the depository shall be excluded.
- (e) Public Interest Directors shall be bound to peruse the relevant laws, code of conduct, code of conduct for governing Board, Directors, Committee Members & Key Management Personnel, etc. and submit an undertaking to the Company that they are aware of their role, responsibilities and obligations.

7.2.11 For the reappointment of an existing Public Interest Director, the Company shall submit an application to SEBI with the name of person who is considered for reappointment at least four months before the expiry of the term of said Public Interest Director. The application for

reappointment of the Public Interest Director shall be accompanied with their attendance details on meetings of various mandatory committees and on the governing board of the depository, performance review and the reasons for extension of term.

### **7.3 Specific Criteria for appointment/re-appointment of Non-Independent Director:**

- 7.3.1 The appointment and re-appointment of the Non-Independent Director of the Company shall be subject to prior approval of SEBI. However, any appointment and re-appointment must take into consideration the need for skill diversity;
- 7.3.2 SEBI has mandated to adhere to skill evaluation metrics to assess applications of new or existing Non-Independent Directors for their appointment and/or reappointment and recommending their names to the Governing Board;
- 7.3.3 Any employee of the Company may be appointed on the Board of the Company and such employee shall be deemed to be the Non-Independent Director.
- 7.3.4 The names of person(s) to be appointed as Non-Independent Director(s) shall first be approved by the Governing Board of the Company followed by shareholders' approval before submitting the recommendation to SEBI for approval.
- 7.3.5 The manner of election, appointment, tenure, resignation, vacation, etc. of a Non-Independent Director shall be governed by the provisions applicable to Non-Independent Directors under the Companies Act, save as otherwise specifically provided under D&P Regulations or circulars issued or internal policies thereunder.

### **7.4 Tenure:**

#### **7.4.1 Public Interest Director:**

- a) Public Interest Directors shall be appointed subject to a maximum age limit of seventy-five years.
- b) Public Interest Directors shall be appointed for a term of 3(three) years, extendable by another term of 3 (three) years, subject to performance review as specified by the SEBI.
- c) The existing Public Interest Director may continue holding the post for a maximum period of 3(three) months from the date of expiry of their term, or till a new Public Interest Director is appointed, whichever is earlier, only

if the Governing Board does not meet the mandatory regulatory requirements on its composition. However, any extension of the term must take into consideration the need for skill diversity.

#### 7.4.2 **Non-Independent Director:**

The tenure of a non-independent director shall be governed by the provisions applicable to shareholder directors under the Companies Act, 2013, save as otherwise specifically provided under D&P Regulations or circulars issued thereunder.

### **7.5 Removal and Retirement:**

- 7.5.1 The NRC may recommend to the Governing Board, with reasons recorded in writing, the removal of the Director in accordance with the D&P Regulations or any other applicable acts, rules, and regulations, including for contractual breaches.
- 7.5.2 Such removal shall be subject to the provisions and compliance of applicable laws, rules and regulations.
- 7.5.3 SEBI may remove or terminate the appointment of a Public Interest Director or Non Independent Director for failure to abide by the Code of Conduct and Code of Conduct for Directors, Committee Members and Key Management Personnel specified under the D&P Regulations, either upon reference from the Company or *suo moto* action.

### **7.6 Remuneration:**

#### 7.6.1 **Public Interest Director:**

- (i) Public Interest Directors shall be remunerated only by way of payment of sitting fees as admissible to Independent Directors in the Companies Act, 2013.
- (ii) Public Interest Directors shall be paid sitting fees for attending the meetings of the Board and of committees of which they may be members within regulatory limits. Quantum of sitting fees may be subject to review on a periodic basis, as required.
- (iii) The remuneration payable to the Public Interest Directors shall be inclusive of any remuneration payable for services rendered by such Public Interest Director in any other capacity unless: (i) the services rendered are of a professional nature; and (ii) the Committee is of the opinion that the Public Interest Director possesses requisite

qualification for the practice of the profession.

**7.6.2 Non-Independent Director:**

- (i) The remuneration and commission to be paid to the Non-Independent Directors shall be recommended by the NRC to the Governing Board and governed by the percentage/slabs/conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act.
- (ii) The remuneration payable to the Non-Independent Director shall be inclusive of any remuneration payable for services rendered by such Non-Independent Director in any other capacity unless: (i) the services rendered are of a professional nature; and (ii) the NRC is of the opinion that the Non- Independent Director possesses requisite qualification for the practice of the profession.

7.6.3 Where any insurance is taken by the Company on behalf of its Directors for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. However, if such a person is proven to be guilty by the Court of Law or a competent jurisdiction, the premium paid on such insurance shall be treated as part of the remuneration.

7.6.4 Within the parameters prescribed by law, the payment of remuneration to the Directors will be recommended by the NRC and approved by the Governing Board.

7.6.5 In addition to the remuneration Company may also reimburse the out-of-pocket expenses incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/ 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.

**7.7 Retirement:**

7.7.1 The Public Interest Director shall retire as per the applicable provisions of the Companies Act, D&P Regulations and the prevailing policy of the Company subject to a maximum age limit of seventy-five years.

7.7.2 The Non-Independent Director shall retire as per the applicable



provisions of the Companies Act and the prevailing policy of the Company. The Governing Board will have the discretion to retain the Non-Independent Director in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to SEBI approval provided all the conditions for re-appointment are met.]

## **8 APPOINTMENT, REAPPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF THE MANAGING DIRECTOR AND CEO:**

### **8.1 Eligibility Criteria:**

- 8.1.1 The Managing Director shall fulfil the criteria of fit and proper person at all times.
- 8.1.2 The Managing Director shall not be a depository participant or their associate or agent at all times.
- 8.1.3 The Managing Director shall not be eligible to be appointed as Director, if he/she is a Director of a depository participant or their associates and agents.

### **8.2 Appointment Criteria:**

- 8.2.1 The appointment, renewal of appointment and termination of service of the Managing Director and CEO of the Company shall be subject to prior approval of SEBI.
- 8.2.2 SEBI has through its email dated November 02, 2023, and subsequent email received, advised to get a mandatory reference check done by a Human Resource (HR) agency of the Managing Directors candidates being proposed to SEBI for getting appointed as a Director on the Board. The Nomination and Remuneration Committee and Board shall examine such report and give confirmation to SEBI that the recommended candidates are found to be satisfactory on the knowledge and professional skillset; past conduct including integrity; and interpersonal skills.
- 8.2.3 SEBI has mandated to adhere to skill evaluation metrics to assess applications of new or existing Non-Independent Directors for their appointment and/or reappointment and recommending their names to the Governing Board.
- 8.2.4 The Managing Director of the Company shall not:
  - a) be a shareholder or an associate of a shareholder of a depository or a

shareholder of an associate of a depository, as the case may be;

- b) be a depository participant, or his associate and agent, or shareholder of a depository participant or a shareholder of an associate and agent of a depository participant; and
- c) hold any position concurrently in the subsidiary of a depository or in any entity associated with a depository.

8.2.5 The Managing Director and CEO of the Company may be appointed as a Director, but not as a Managing Director on the Board, of the subsidiary or associate of the Company, as the case may be.

8.2.6 The Company shall be subject to the guidelines issued by the SEBI from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities relating to the selection/ appointment of the Managing Director.

8.2.7 The Nomination and Remuneration Committee shall be responsible for selection of Managing Director and CEO. The Managing Director shall be selected through open advertisement in all editions of at least one national daily from amongst persons qualified in the fields of capital market/ finance/ management and possessing sufficient experience. The depository shall forward the new names to SEBI before two months from the last working day of the existing Managing Director.

8.2.8 No applicant should be invited for an interview for the post of Managing Director, unless the applicant has obtained the necessary clearance / No Objection Certificate from the requisite authority (Employers / Supervisory bodies etc.), wherever required.

8.2.9 In case a vacancy of Managing Director arises due to unforeseen reasons, the Company shall forward the new names to the SEBI within 60 (sixty) days from the date of submission of resignation or such vacation of office.

### **8.3 Procedure for Appointment of Managing Director and CEO:**

8.3.1 For the appointment of the Managing Director and CEO, the Board shall re-constitute the Nomination and Remuneration Committee (“Committee”) in terms of SEBI Letter dated May 29, 2019, and any other letters/ circulars issued by SEBI from time to time. The following shall be the members of the Committee:

- (a) Existing Members and
- (b) Independent External Professionals as approved by SEBI on basis of the application made by the Company.

- 8.3.2 The Independent External Professional shall form part of the re-constituted NRC for a limited purpose for the selection of appointment of Managing Director.
- 8.3.3 The selection process for the position of Managing Director and CEO shall start at least 6 months prior to the date of end of term of the incumbent.
- 8.3.4 The Committee shall have regard to the following guidelines for appointment of Managing Director and CEO:
- i. In case of filling of vacancy by way of appointment, an open advertisement be given in all editions of at least one national daily newspaper.
  - ii. The qualification for the incumbent should be commensurate with the position.
  - iii. The committee shall ascertain integrity, expertise, track record, high personal and professional ethics, sound business judgements, etc., and fit and proper person criteria as per D & P Regulations.
  - iv. The incumbent should have at least 20 years of work experience from capital market/financial market out of which latest 5 years' experience should be at the Board level management position.
  - v. After getting applications, the Committee shall scrutinize applications and shortlist for interview. The Committee shall call shortlisted candidates for interview and on that basis select suitable candidate/s.
  - vi. The selected candidate/s, if thought fit by the Committee, shall be recommended to SEBI for appointment.
  - vii. The Committee shall have the discretion to lay down its own procedural formalities/process of selection of Managing Director and CEO.
  - viii. The Committee is also required to follow the process as laid down the SEBI Email dated November 13, 2020.

#### **8.4 Tenure:**

- 8.4.1 The Company shall appoint or re-appoint any person as its Managing Director for a term not exceeding 5 (five) years at a time. The Managing Director may be appointed for a maximum period of ten years, subject to the maximum age limit of sixty-five years.
- 8.4.2 Post completion of the first term as Managing Director, the Company shall conduct afresh appointment process for Managing Director.
- 8.4.3 No reappointment shall be made earlier than 1 (one) year before the

expiry of the term.

8.4.4 The appointment and tenure of the Managing Director would be governed by the applicable provisions of the Companies Act, 2013, D&P Regulations, and as may be mandated by SEBI from time to time.

### **8.5 Removal:**

8.5.1 The Managing Director & CEO shall be liable for removal or termination of services by the Governing Board with the prior approval of SEBI for failure to give effect to the directions, guidelines and other orders issued by SEBI, or the rules, the articles of association, bye-laws and regulations of the Company.

8.5.2 SEBI may *suo motu* remove or terminate the appointment of the Managing Director & CEO, if deemed fit in the interest of the securities market.

Provided that the Managing Director & CEO shall not be removed unless he has been given a reasonable opportunity of being heard.

8.5.3 SEBI may remove or terminate the appointment of a Managing Director & CEO for failure to abide by the Code of Conduct and Code of Conduct for Directors, Committee Members and Key Management Personnel specified under the D&P Regulations, either upon reference from the Company or *suo motu* action.

### **8.6 Retirement:**

The Managing Director & CEO shall retire or vacate office as per the applicable provisions of the Companies Act and the prevailing policy of the Company subject to a maximum age limit of sixty-five years.

### **8.7 Remuneration:**

8.7.1 The compensation payable to the Managing Director shall be as approved by SEBI and the terms and conditions of the compensation of the Managing Director shall not be changed without prior approval of the SEBI.

8.7.2 The remuneration and commission to be paid to the Managing Director & CEO shall be recommended by the NRC to the Governing Board and governed by the percentage/slabs/conditions laid down in the Articles of Association of the Company and as per the provisions of the

### Companies Act.

- 8.7.3 Subject to SEBI approval, remuneration/compensation/commission etc. to the Managing Director & CEO shall be in accordance with Section 197 and Schedule V of the Companies Act, read with the rules made thereunder.
- 8.7.4 The remuneration payable to the Managing Director & CEO shall be inclusive of any remuneration payable for services rendered by such Managing Director & CEO in any other capacity unless: (i) the services rendered are of a professional nature; and (ii) the Committee is of the opinion that the Managing Director & CEO possesses requisite qualification for the practice of the profession.
- 8.7.5 The remuneration payable to the Managing Director & CEO shall be subject to the following conditions.
- a) The variable pay component will be within a range of 25% to 50% of total pay.
  - b) 50% of the variable pay will be paid on a deferred basis after a minimum period of three years.
  - c) ESOPs and other equity-linked instruments in the Depositories will not form part of the compensation for MD & CEO.
  - d) the remuneration shall have malus and clawback arrangements.

### **Explanation:**

1. A malus arrangement prevents vesting of all or part of the amount of a deferred remuneration.
2. A clawback is a contractual agreement between the employee and the depository in which the employee agrees to return previously paid or vested remuneration to the depository under certain circumstances.

## **9 APPOINTMENT, REAPPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF KMPs:**

### **9.1 Appointment Criteria and Qualifications:**

- 9.1.1 The NRC shall apply a comprehensive due diligence process to determine the suitability of every person who is being considered for being appointed or reappointed as a KMP on the basis of his/her educational qualification, experience, and track record.
- 9.1.2 The NRC has the discretion to decide whether qualifications, expertise and experience possessed by a person are satisfactory for the concerned

position. Further, the NRC shall also take into consideration any other criteria for appointment, as may be set out in the Company's internal policies.

- 9.1.3 The KMPs shall fulfil the criteria of fit and proper person at all times.
- 9.1.4 Every KMPs shall always endeavour to add capability in-house and mentor officials with potential to handle his/her responsibility in his/her absence by exposing him/her to all aspects of work being handled by him/her.
- 9.1.5 Any appointment and re-appointment of a KMPs of the Company shall be subject to the approval of the NRC and on recommendation of their names to the Governing Board.
- 9.1.6 <sup>10</sup>[The Committee, while assessing the performance appraisal of the KMPs, shall take reports or inputs from the functional heads or reporting authority and observations received from SEBI, if any. For performance appraisal of the Compliance Officer, Chief Risk Officer, Chief Technology Officer, and Chief Information Security Officer, the Committee shall in addition to the above requirements, take reports or inputs from relevant statutory committees.]

## **9.2 Tenure:**

- 9.2.1 The tenure of the KMPs other than MD&CEO shall be for such period as may be decided by the NRC in consonance with the internal policies of the Company.
- 9.2.2 The tenure of KMPs other than a director in a regulatory department, shall be for a fixed period, as may be decided by the NRC.

## **9.3 Retirement:**

The Key Managerial Personnel shall retire as per the applicable provisions of the Companies Act and the prevailing policy of the Company. The Governing Board will have the discretion to retain the Key Managerial Personnel in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company provided all the conditions for re-appointment are met.

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<sup>10</sup> Inserted via amendment approved on March 21, 2025

#### **9.4 Remuneration:**

9.4.1 The remuneration/compensation to be paid to the KMPs shall be recommended by the NRC to the Governing Board and governed by the percentage/ slabs/conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act. The remuneration/compensation etc. to KMPs shall be subject to the approval of the shareholders of the Company or SEBI, wherever required under applicable law. Increments to the existing remuneration / compensation structure may be recommended by the NRC to the Governing Board which should be within the slabs approved by the shareholders, if applicable. The following would be the guidelines:

- (a) Overall remuneration should be reflective of the size of the Company, financial condition/health of the Company, revenues and profit of the Company, complexity of the sector / industry / company's operations and the Company's capacity to pay the remuneration;
- (b) remuneration should be reasonable and sufficient to attract, retain and motivate the employees to be aligned with the requirements of the Company (taking in consideration the challenges faced by the Company and its future growth imperatives);
- (c) overall remuneration practices should be consistent with industry standards;
- (d) market competitive;
- (e) average levels of compensation payable to employees in similar ranks;
- (f) should not contain any provisions regarding incentives to take excessive risks over the short term;
- (g) based on the role played by the individual in managing the Company, including responding to challenges faced by the Company;
- (h) periodic review; and
- (i) aligned to regulatory requirements.

9.4.2 Remuneration payable for Services rendered by KMPs shall be inclusive of any remuneration payable for services rendered by KMPs in any other capacity unless: (i) the services rendered are of a professional nature; and (ii) the NRC is of the opinion that the Key Management Personnel possess requisite qualification for the practice of the profession.

9.4.3 The remuneration payable to the Key Management Personnel shall be subject to following conditions:

- a) The variable pay component will be within a range of 25% to 50% of total pay.
- b) Fifty percent of the variable pay shall be paid on a deferred basis after a minimum period of three years.
- c) ESOPs and other equity linked instruments in the depository shall not be offered or provided as part of the compensation for the key management personnel.
- d) The remuneration shall have malus and clawback arrangements.

9.4.4 Apart from the above, depository shall take into consideration the following:

- a) financial condition/health of the depository
- b) average levels of compensation payable to employees in similar ranks,
- c) shall not contain any provisions regarding incentives to take excessive risks over the short term,
- d) revenues, net profit of the depository,
- e) comparable to the industry standards,
- f) role and responsibilities of the key management personnel,
- g) periodic review
- h) <sup>11</sup>[SOP for disciplinary actions against KMPs]

9.4.5 Where any insurance is taken by the Company on behalf of its KMPs and other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. However, if such a person is proven to be guilty by the Court of Law or a competent jurisdiction, the premium paid on such insurance shall be treated as part of the remuneration.

## **10 APPOINTMENT OF INDEPENDENT EXTERNAL PROFESSIONALS (IEPs):**

### **10.1 Appointment Criteria:**

10.1.1 The Committee has the discretion to appoint Independent External Professionals on various committees in accordance with the general guidelines laid down by SEBI with respect to the composition of such committees.

10.1.2 Further, SEBI also mandates the Company to frame the Guidelines for appointment, tenure, code of conduct, etc., for Independent External Professionals. The Company already has in place the Guidelines for Independent External Professionals which would be reviewed

<sup>11</sup> Inserted via amendment approved on March 21, 2025



once in a financial year by the Nomination and Remuneration Committee and Board of Directors.

10.1.3 <sup>12</sup>[The company shall enter into a Non- Disclosure Agreement (NDA) with IEPs to ensure confidentiality of Information.]

## **10.2      <sup>13</sup>[Remuneration:**

10.2.1 IEPs shall be paid sitting fees for attending the meetings of committees of which they may be members within regulatory limits.

10.2.2 In addition to the remuneration, the Company may also reimburse the out-of-pocket expenses incurred by IEPs while performing his/her role. This could include reasonable expenditures incurred by the by such professional for attending committee meetings.

10.2.3 Where any insurance is taken by the Company on behalf of its Independent External Professionals for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. However, if such a person is proven to be guilty by the Court of Law or a competent jurisdiction, the premium paid on such insurance shall be treated as part of the remuneration.]

## **11 BENEFICIAL INTEREST:**

Any Director, Committee Member, Key Management Personnel and any other person if interested in any particular agenda item shall recuse himself/herself from being present in a particular agenda item where such agenda item is discussed. The NRC may invite such executives, as it considers appropriate, to be present at the meetings of the NRC.

## **12 POLICY IMPLEMENTATION:**

The NRC is responsible for recommending the Nomination and Remuneration Policy to the Governing Board. The Governing Board is responsible for approving and overseeing implementation of the Nomination and Remuneration Policy.

## **13 <sup>14</sup>[SUCCESSION PLANNING:**

The NRC shall review the leadership and management needs of the Company.

<sup>12</sup> Inserted via amendment approved on March 21, 2025

<sup>13</sup> Inserted via amendment approved on March 21, 2025

<sup>14</sup> Inserted via amendment approved on March 21, 2025

The NRC shall assess the suitability of a person who is being considered for appointment as a director of the Company, based on his / her educational qualification, experience, expertise, and track record and shall recommend to the Board, the terms, and conditions of his/her appointment, including remuneration.

The NRC would assess the emerging business and leadership requirements of the Company and, at its discretion, recommend to the Board the appointment of suitable candidate(s) in KMPs with a view to ensure a continuous availability of managerial talent at senior levels to meet the organizational needs.

The recommendations of the NRC shall be placed before the Governing Board for approval. The management team shall always strive to develop a strong leadership pipeline by enriching work exposure to in-house talent.]

#### **14 MODIFICATIONS & REVIEW OF THE POLICY:**

In case of any subsequent changes in the Companies Act or any other regulations which makes any of the provisions in the Policy inconsistent with the Companies Act or regulations, then the provision of the Companies Act or regulations would prevail over the Policy and the provisions of the Policy would be modified in due course to make it consistent with law. [However, the amended regulatory/statutory provisions will supersede the existing Policy till the time the Policy is suitably amended.]<sup>15</sup>

The Governing Board (including the Nomination and Remuneration Committee) shall review the policy once in 3 (three) financial years and/or amend the policy from time to time depending upon the requirements of the provisions of the Companies Act and as per SEBI Listing Regulations and D&P Regulations.

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<sup>15</sup> Inserted via amendment approved on March 21, 2025