

NOMINATION AND REMUNERATION POLICY

(Version 7)

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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**") at the meeting held on 16th June, 2010 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 Managerial Personnel 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 Managerial 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 Board to fulfill their responsibility by way of recommendation from the Nomination and Remuneration Committee of the Board towards attracting, retaining and promoting the aforesaid personnel with respect to their remuneration in line with the corporate and individual performance.

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

Scope:

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

1. DEFINITIONS:

- 1.1. "**Associate**" in relation to a person shall include another person:
- (i) who, directly or indirectly, by himself, or in combination with other persons, exercises control over the first person;
 - (ii) who holds control of at least twenty percent of the total voting power of the first person;
 - (iii) who is a holding company or a subsidiary company of the first person
 - (iv) who is a relative of the first person;
 - (v) who is a member of a Hindu Undivided Family wherein the first person is also a member;
 - (vi) such other cases where the Board is of the view that a person shall be considered as an associate based on the facts and factors including the extent of control, independence, conflict of interest;
- 1.2. "**NRC**" means the Nomination and Remuneration Committee constituted by the Board as on 16th June, 2010 and as reconstituted from time to time.
- 1.3. "**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.
- 1.4. "**Director**" means a Director appointed on the Board.
- 1.5. "**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;
 - (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, or any of its whole time directors or managing partners, 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 the 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 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 the 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;
- (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 financially not sound or has been categorized as a willful defaulter; and
- (ix) any other disqualification as specified by SEBI.

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

1.7. **“Independent Director”** means a Director referred to in Section 149(6) of the Companies Act.

1.8. **“Key Managerial Personnel”** in relation to a company means, as defined under section 2(51) of the Companies Act:

- (i) the Chief Executive Officer or the managing director or manager;
- (ii) the company secretary;
- (iii) whole-time director;
- (iv) the Chief Financial Officer;
- (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; and
- (vi) any other person as may be prescribed.

1.9 **“Key Management Personnel”**¹ shall include:

- (i) any person appointed as the managing director or executive director; or
- (ii) a person serving as head of any department or vertical and directly reports to the managing director or to the directors on the governing board of the depository; or
- (iii) a person serving as head of a core function as specified under Fourth Schedule of these regulations; or
- (iv) a person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the depository; or
- (v) reporting officials of key management personnel; or
- (vi) any person defined as a “key managerial personnel” under the Companies Act,

¹ Substituted by the SEBI (Depositories and Participants) (Amendment) Regulations, 2023 dated January 17, 2023 effective from August 28, 2023 and vide Board approval dated April 29, 2023.

2013; or

- (vii) any other person who is key decision making authority at the level of the depository or its direct or indirect material subsidiaries, as identified by the managing director or its Nomination and Remuneration Committee:
Provided that in the case of a subsidiary of a depository that is regulated by a financial sector regulator; the norms specified by such a regulator may be considered for determining as to whether the person at the subsidiary is designated as a key management personnel.

1.10 **"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.

1.11 **"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/ securities admission;
- (v) Compliance;
- (vi) Inspection;
- (vii) Enforcement;
- (viii) Arbitration and grievance redressal mechanism;
- (ix) Investor protection and services

1.12 **"SEBI"** means Securities and Exchange Board of India.

1.13 **"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 director shall be deemed to be a Non - Independent Director

Unless the context otherwise requires, words and expressions used in this Policy and not defined, shall have the meanings ascribed to them under the Companies Act, SEBI (D&P) Regulations and the SEBI Listing Regulations as may be amended from time to time.

1.14 “**Senior Management**”² shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or 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.”

³*(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.)*

ROLES AND RESPONSIBILITIES:

2 ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE:

The NRC constituted by the Board leads the process for appointment and remuneration of Directors and Key Managerial Personnel in accordance with the requirements of the Companies Act, D&P Regulations, Listing Regulations and other applicable regulations / guidelines. All the board appointments are based on merits. The role of the NRC 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 senior management in accordance with the criteria laid down, 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 managerial 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 directors 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 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:

² Substituted by the SEBI (Listing Obligation and Disclosure Requirement) (Amendment) Regulations, 2023 dated January 17, 2023

³ Inserted vide Board approval dated February 01, 2023

- i. use the services of an external agencies, if required;
- ii. consider candidates from a wide range of backgrounds, having 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 senior management;
- i. Identifying a Key management personnel, other than personnel as specifically provided in its definition under SEBI (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.

Framing & reviewing the performance review policy to carry out evaluation of every director's performance, including that of Public Interest Director (PID).

POLICY DETAILS:

3 CONSTITUTION OF THE NRC:

- 3.1 The NRC shall include only Public Interest Directors.⁴
- 3.2 The 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 Listing Regulations.
- 3.3 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.

4 GENERAL PRINCIPLES ON APPOINTMENT, REAPPOINTMENT, REMOVAL AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL, KEY MANAGEMENT PERSONNEL AND SENIOR MANAGEMENT:

4.1 Appointment Criteria and Qualifications:

⁴ Pursuant to SEBI Circular No. SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019

- (i) The NRC shall apply a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director or a Key Managerial Personnel on the basis of his 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.
- (ii) 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.
- (iii) 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 to the 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 "Board Evaluation Policy".
- (iv) Any appointment, re-appointment and remuneration of a Director, Key Managerial Personnel and Key Management Personnel of the Company shall be subject to the recommendation of the NRC to the Board.
- (v) The Company shall provide at least seven days of training to all Directors each year.

4.2 Removal:

The NRC may recommend to the Board, with reasons recorded in writing, removal of Director and Key Managerial Personnel in accordance with the Companies Act or any other applicable act, rules and regulations, including for contractual breaches.

Such removal shall be subject to the provisions and compliance of applicable laws, rules and regulations.

4.3 Remuneration:

- (i) The remuneration / compensation etc. to the Key Managerial Personnel, Key Management Personnel and Senior Management will be determined by the NRC and recommended to the Board for approval. The remuneration / compensation etc. to Key Managerial Personnel shall be subject to the approval of the shareholders of the Company, SEBI and/or Central Government, wherever required under applicable law. Increments to the existing remuneration / compensation structure may be recommended by the NRC to the Board which should be within the slabs approved by the shareholders, if applicable. 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.
- (ii) Where any insurance is taken by the Company on behalf of its Directors and Key Managerial Personnel 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. Provided that if such a person is proven to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.
- (iii) Within the parameters prescribed by law, the payment of sitting fees and commission to the Governing Board will be recommended by the NRC and approved by the Board. The NRC will recommend to the Board, the quantum of commission for each Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time

spent in the Board and committee meetings, individual contributions at the meetings and contributions made by Directors other than in meetings.

- (iv) In addition to the sitting fees and commission, the Company may also 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/ 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.

5 APPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF PUBLIC INTEREST DIRECTORS:

5.1 Appointment:

Eligibility:

- (i) The Public Interest Director 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) 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.
- (ii) One Public Interest Director shall have the requisite qualification and experience in each of the areas of capital markets, finance and accountancy, legal and regulatory practice and technology.
- (iii) The Public Interest Director shall not be a depository participant or their associate or agent at all times.
- (iv) The Public Interest Director shall not be eligible to be appointed as director, if he is a director of a depository participant or their associates and agents.
- (v) The Public Interest Director shall be eligible to be appointed as director even if he is a director 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.
- (vi) The Public Interest Director shall be eligible to be appointed as director even if he 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.

- (vii) 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.

Criteria:

- (i) The number of Public Interest Directors on the Board shall not be lesser than the number of the Non-Independent Directors of the Company.
- (ii) The Public Interest Directors shall be appointed with the prior approval of SEBI.
- (iii) A Director is considered independent if the Board makes an affirmative determination after a review of all relevant information. The Committee and Board shall adhere to the standards set out under Section 149 of the Companies Act, Depository Regulations and the 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.
- (iv) The Governing Board after its approval shall forward the names of Public Interest Directors to SEBI. A minimum of two names shall be submitted to the Board for each vacancy of public interest directors, two months before such vacancy.
- (v) The Public Interest Directors shall be selected from diverse field of work.
- (vi) While deciding to select a particular person as a Public Interest Director, the Selection Committee shall also take into account the following factors:
 - (a) Qualification and experience as specified in regulations 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 ethics, etc. and submit an undertaking to the Company that they are aware of their role, responsibilities and obligations.
- (vii) For reappointment of the Public Interest Director, the Company shall apply to SEBI, 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.

5.2 Tenure:

- (i) Public Interest Directors shall be nominated subject to a maximum age limit of seventy five years.
- (ii) Public Interest Directors shall be nominated for a term of three years, extendable by another term of three years, subject to performance review as specified by the SEBI.
- (iii) The existing Public Interest Director, may continue holding the post for a maximum period of 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.

5.3 Removal:

SEBI may remove or terminate the appointment of a Public Interest Director for failure to abide by the Code of Conduct and Code of Ethics specified under the D&P Regulations, either upon reference from the Company or *suo moto* action.

5.4 Retirement:

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.

5.5 Remuneration:

- (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.

6 APPOINTMENT, REAPPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF MANAGING DIRECTOR AND CEO:

6.1 Appointment:

Eligibility:

- (i) The Managing Director shall fulfil the criteria of fit and proper person at all times.
- (ii) The Managing Director shall not be a depository participant or their associate or agent at all times.
- (iii) The Managing Director shall not be eligible to be appointed as director, if he is a director of a depository participant or their associates and agents.

Criteria:

- (i) 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.
- (ii) The Managing Director and CEO 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.
- (iii) 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.
- (iv) The Company shall 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.
- (v) The Nomination and Remuneration Committee shall be responsible for selection of Managing Director. 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 the Board before two months from the last working day of the existing Managing Director.
- (vi) No applicant should be invited for interview for the post of Managing Director, unless the applicant has obtained necessary clearance / No Objection Certificate from the requisite authority (Employers / Supervisory bodies etc.), wherever required.
- (vii) In case a vacancy of Managing Director arises due to unforeseen reasons, the Company shall forward the new names to the SEBI within 60 days from the date of submission of resignation or such vacation of office.
- (viii) Procedure for Appointment of Managing Director and CEO:
 - (a) 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 letter/ circular issued by SEBI from time to time. The following shall be the members of the Committee:
 1. Existing Members and
 2. Independent External Persons as approved by SEBI basis the application made by the Company.
 - (b) The Independent External Persons shall form part of the re-constituted NRC for a limited purpose for the selection of appointment of Managing Director.
 - (c) 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.

(d) The Committee shall have regard to the following guidelines for appointment of Managing Director and CEO:

1. In case of filling of vacancy by way of appointment, an open advertisement be given in all editions of at least one national daily.
2. The qualification for the incumbent should be commensurate with the position.
3. 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.
4. 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.
5. After getting applications, the Committee shall scrutinise applications and shortlist for interview. The Committee shall call shortlisted candidates for interview and on that basis select suitable candidate/s.
6. The selected candidate/s if thought fit by Committee, shall recommend to the Board for appointment.
7. The Committee shall have discretion to lay down its own procedural formalities / process of selection of Managing Director and CEO.
8. The Committee is also required to follow the process as laid down vide SEBI Email dated November 13, 2020

6.2 Tenure:

- (i) 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 age limit of sixty five years.
- (ii) Post the completion of first term as Managing Director, the Company shall conduct afresh appointment process for Managing Director.
- (iii) No re-appointment shall be made earlier than 1 (one) year before the expiry of the term.
- (iv) The appointment and tenure of 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.

6.3 Removal

- (i) The Managing Director & CEO shall be liable for removal or termination of services by the 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.
- (ii) 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.
- (iii) SEBI may remove or terminate the appointment of a Managing Director & CEO for failure to abide by the Code of Conduct and Code of Ethics specified under the Depositories Regulations, either upon reference from the Company or *suo motu* action.

6.4 Retirement:

The Managing Director & CEO shall retire 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.

6.5 Remuneration

- (i) The compensation payable to the Managing Director shall be as approved by the SEBI and the terms and conditions of the compensation of the Managing Director shall not be changed without prior approval of the SEBI.
- (ii) 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.
- (iii) The remuneration payable to the Managing Director & CEO shall be as approved by SEBI and the terms and conditions of remuneration of the Managing Director & CEO shall not be changed without the prior approval of SEBI.
- (iv) Subject to SEBI approval, the remuneration / compensation / commission etc. to the Management Director & CEO shall be in accordance with Section 197 and Schedule V of the Companies Act, read with the rules made thereunder.
- (v) 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.

- (vi) The remuneration payable to the Managing Director & CEO shall be subject to 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.

7 APPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF NON-INDEPENDENT DIRECTOR:

7.1 Appointment Criteria and Qualifications:

- (i) The Non-Independent Director shall fulfil the criteria of fit and proper person at all times.
- (ii) The Non-Independent Director shall not be a depository participant or their associate or agent at all times.
- (iii) The Non-Independent Director shall not be eligible to be appointed as director, if he is a director of a depository participant or their associates and agents.
- (iv) The Non-Independent Director shall be eligible to be appointed as director even if he is a director 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.
- (v) The appointment and re-appointment of the Non-Independent Director of the Company shall be subject to prior approval of SEBI.

- (vi) 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.
- (vii) 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 same to the SEBI for approval.
- (viii) The manner of election, appointment, tenure, resignation, vacation, etc. of a Non-Independent Director shall be governed by the provisions applicable to shareholder directors under the Companies Act, save as otherwise specifically provided under D&P Regulations or circulars issued thereunder.

7.2 Tenure:

Subject to the approval of SEBI, the NRC may prescribe the tenure for appointment of a Non-Independent Director in accordance with the provisions of applicable laws.

7.3 Removal:

SEBI may remove or terminate the appointment of a Non-Independent Director, for failure to abide by the Code of Conduct and Code of Ethics specified under the Depository Regulations, either upon reference from the Company or on *suo moto* action.

7.4 Retirement:

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.

7.5 Remuneration

- (i) The remuneration and commission to be paid to the Non-Independent Directors shall be recommended by the NRC to the 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.

8 APPOINTMENT, REAPPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF KEY MANAGERIAL PERSONNEL, KEY MANAGEMENT PERSONNEL AND SENIOR MANAGEMENT:

8.1 Appointment Criteria and Qualifications:

- (i) Every Key Managerial Personnel shall always endeavour to add capability in-house and mentor officials with potential working under him to handle his responsibility in his absence by exposing him to all aspects of work being handled by him.
- (ii) Any appointment and re-appointment of a Key Managerial Personnel of the Company shall be subject to the approval of the NRC.

8.2 Tenure:

- (i) The tenure of the Key Managerial Personnel other than MD&CEO shall be for such period as may be decided by the NRC in accordance with the internal policies of the Company.
- (ii) The tenure of a Key Management Personnel, other than a director, in a regulatory department, shall be for a fixed period, as may be decided by the NRC.

8.3 Retirement:

The Key Managerial Personnel shall retire as per the applicable provisions of the Companies Act and the prevailing policy of the Company. The 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.

8.4 Remuneration:

- (i) The remuneration to be paid to the Key Managerial Personnel, Key Management Personnel and Senior Management shall be recommended by the NRC to the 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) Remuneration payable for Services rendered by Key Managerial Personnel: The remuneration payable to the Key Managerial Personnel shall be inclusive of any remuneration payable for services rendered by Key Managerial

Personnel 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 Managerial Personnel possess requisite qualification for the practice of the profession.

- (iii) The NRC shall determine the compensation of Key Management Personnel.
- (iv) 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) 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 depository shall not be offered or provided as part of the compensation for the key managerial personnel.
 - d) The remuneration shall have malus and clawback arrangements.
- (v) 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 managerial personnel,
 - g) periodic review

9 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.

10 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.

The Governing Board (including the Nomination and Remuneration Committee) may amend the policy from time to time depending upon the requirements of the provisions of the Companies Act and as per Listing Regulations and D&P Regulations.