

NSE Clearing Limited

Remuneration Policy

1. Introduction

NSE Clearing Limited (hereinafter referred to as “NCL” or “the company”) is governed by the Companies Act, 2013 and Rules notified thereunder; the Securities Contracts (Regulation) Act, 1956 read with rules notified thereunder and the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (hereinafter referred to as “SCR (SECC) Regulations, 2018”) including disclosure requirements and corporate governance norms as specified for listed companies to the extent applicable to clearing corporations.

Section 178 of the Companies Act, 2013 and SCR (SECC) Regulations, 2018 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as “Listing Regulations”) prescribe that the Nomination and Remuneration Committee shall recommend to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel, Senior Management Personnel and other employees.

Regulation 27 of the SCR (SECC) Regulations, 2018 mandates that the Remuneration Policy for the Key Management Personnel of the Clearing Corporation shall be in accordance with the norms specified by SEBI.

2. Definitions

- (i) **“Board of Directors” or “Board”** shall mean the collective body of Directors of NCL;
- (ii) **“Director”** means a Director appointed to the Board of NCL;
- (iii) **“Independent Director”** shall have the meaning as defined under the Companies Act, 2013 read with relevant rules and the Listing Regulations.
- (iv) **“Key Managerial Personnel” (KMP)**
 - A. under the Companies Act, 2013 means—
 - (a) Managing Director or Chief Executive Officer (“CEO”) or Manager;
 - (b) Company Secretary,
 - (c) Whole-time Director;
 - (d) Chief Financial Officer;
 - (e) 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

(f) Such other Officer as may be prescribed

(B) Under SCR (SECC) Regulations, 2018

Key Management Personnel includes a person serving as head of any department or in such senior executive position that stands higher in hierarchy to the head(s) of department(s) in the recognized stock exchange or the recognized clearing corporation or in such senior executive position that stands higher in hierarchy to the head(s) of the department(s) in the recognised stock exchange or the recognised clearing corporation, or any person who directly reports to chief executive officer or to the director on the governing board of the recognised stock exchange or recognised clearing corporation, or any person upto two levels below the chief executive officer or managing director, or any other person as may be identified by its Nomination and Remuneration Committee.

(v) “**Senior Management**” under Companies Act means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads. “Senior Management” under SEBI (Listing Obligations and Disclosure Requirements), 2015 mean officers / personnel of the Exchange who are members of its core management team excluding Board of Directors comprising all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/ manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer. It may include such persons identified by the NRC / Board from time to time in terms of the Companies Act, 2013 and Listing Regulations.

(vi) “**Managing Director**” under the Companies Act, 2013 means a director who, by virtue of the articles of a company or an agreement with the company or a resolution passed in its general meeting, or by its Board of Directors, is entrusted with substantial powers of management of the affairs of the company and includes a director occupying the position of managing director, by whatever name called.

Explanation.—For the purposes of this clause, the power to do administrative acts of a routine nature when so authorized by the Board such as the power to affix the common seal of the company to any document or to draw and endorse any cheque on the account of the company in any bank or to draw and endorse any negotiable instrument or to sign any certificate of share or to direct registration of transfer of any share, shall not be deemed to be included within the substantial powers of management;

(vii) “**Nomination and Remuneration Committee**” or “**Committee**” shall mean a Committee of Board of NCL, constituted in accordance with the provisions of Section

178 of the Companies Act, 2013, Regulation 19 of the Listing Regulations and Regulation 27 of SCR (SECC) Regulations, 2018.

- (viii) "Other Employees" means any person (other than KMPs under the Companies Act and SECC Regulations and Senior Management Personnel) employed to work full time on the payrolls of the Company.
- (ix) "**Policy**" means this Remuneration Policy.
- (x) "**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 Securities and Exchange Board of India ("SEBI"), is in conflict with his role;
- (xi) "**Whole-time director**" includes a director in the whole-time employment of the company;

Words and definitions not defined herein, shall have the same meaning as provided in the Companies Act, 2013 read with relevant rules, Listing Regulations and SCR (SECC) Regulations 2018 or other relevant provisions; as may be applicable.

3. Interpretation

In any circumstance where the terms of this Policy differ from any existing or enacted law, rule, regulation governing the Company, the law, rule or regulation will take precedence over the provision of this Policy.

4. Objectives

The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management Personnel.

The objectives of this policy are:

- (a) To lay down a policy for payment of remuneration to the Directors, Key Managerial Personnel, Senior Management and other employees of NCL;
- (b) To assist the Board on determination of remuneration payable to the Directors, Key Managerial Personnel, Senior Management and other employees of NCL;
- (c) To ensure that 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;
- (d) To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- (e) To ensure that the 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.

- (f) To decide on the Annual Performance Linked Pay (variable pay) payable to Managing Director and to approve annual increase in the Total Pay payable to Managing Director;
- (g) To assist the Board's overall responsibility relating to executive compensation and recommend to the Board appropriate compensation packages for Whole-time Directors and Senior Management personnel in such a manner so as to attract and retain best available personnel for position of substantial;
- (h) To approve release of variable pay of KMPs under SEBI Regulations withheld earlier; and
- (i) To approve Variable Pay and Fixed Pay of KMPs under SEBI Regulations

5. Remuneration of Directors, KMP and Senior Management

- (a) The remuneration / compensation, etc. to be paid to Directors will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the approval of the shareholders of the Company, Central Government and SEBI, wherever required. It shall be as per the statutory provisions of the Companies Act, 2013 read with the rules made thereunder for the time being in force. The requirements, if any, prescribed by SEBI from time to time in this regard shall be followed while determining the compensation payable to Directors, KMP and Senior Management.
- (b) The remuneration / compensation to be paid to the KMP shall be approved by the Committee. For KMP's under Companies Act, 2013, it shall be as per the statutory provisions of the Companies Act, 2013 read with the rules made thereunder for the time being in force. For KMP's under SCR (SECC) Regulations, 2018, the requirements prescribed by SEBI from time to time in this regard shall be followed while determining the compensation payable to them, which shall be determined by the Committee. For those Senior Management, compensation payable shall be recommended by the Committee to the Board for its approval.
- (c) The Committee shall lay down remuneration policy of the Company from time to time in accordance with market practice and the Company philosophy subject to SEBI norms, as may be applicable.
- (d) The annual compensation shall consist of a fixed component and a variable component. The variable component shall not exceed one third of the total pay in respect of KMPs under SCR (SECC) Regulations, 2018. This shall however not be applicable to the other employees.
- (e) The Group Head HR will obtain compensation approval from the MD and the NRC before extending the final offer to the selected candidate.

- (f) 50% of the variable pay in respect of the KMPs in respect of each financial year shall be paid to the KMP concerned on completion of 3 years from the last date of the respective financial year which will be kept invested in fixed deposits till final payment, if any and paid to the employee concerned with accrued interest if and when the final payment is made. However, as a malus arrangement, the said amount or any part thereof along with accrued interest as per fixed deposit rate for the applicable period in respect of a financial year may be prevented from being paid by the compensation committee, after providing an opportunity of being heard to the concerned KMP, in case of fraud, misfeasance, misappropriation or excessive risk taking by the concerned employee intentionally causing financial loss to the company.
- (g) The KMPs are also covered under a claw back arrangement under which the compensation committee may require an employee to return previously paid in full or vested remuneration partially or fully including the interest earned (if any), after providing an opportunity of being heard to the concerned KMP, under the following circumstances namely fraud, misfeasance, misappropriation and intentionally causing financial loss to the company. The claw back is exercisable within a period of three years from the end of financial year in which the remuneration was paid or vested. The claw back is not exercisable in respect of retiral benefits accrued to KMPs.
- (h) ESOPs and other equity linked instruments shall not be offered or provided as part of the compensation for the Key Management Personnel.
- (i) The following factors shall be considered while fixing compensation package for the KMPs:
 - A. performance, potential, qualification, experience, expertise,
 - B. role and responsibilities
 - C. level of employees, inflation, attraction and retention of talent,
 - D. market benchmark / comparable to the industry standards,
 - E. size and complexities of operation,
 - F. financial condition and health of the Company, revenues, net profit,
 - G. average levels of compensation payable to employees in similar ranks, periodic review, etc.
- (j) Incentive to take excessive risks over the short term shall be discouraged.
- (k) The Managing Director and Group Head - Human Resources will be responsible for execution of the compensation strategy, practices and plan (covering both fixed pay and variable pay) for the other Employees in line with the compensation policy

6. Remuneration criteria for Managing Director

The remuneration / compensation, if any, etc. of the Managing Director shall be subject to the approval of the NRC, Board and Shareholders of the Company, wherever required, under applicable laws.

7. Remuneration criteria for Independent Directors/ Public Interest Directors / Non-Executive Directors

The Independent Directors/ Public Interest Directors / Non- Executive Directors/ of the Company are entitled to sitting fees for attending the meetings of the Board or Committees thereof. The reimbursement of expenses for attending the Board and other Committee meetings including travelling, boarding and lodging expenses, shall be paid by the Company.

8. Amendment

Any amendment or modification in the Companies Act, 2013, SCR(SECC) Regulations, 2018, Rules, Regulations and directives issued under the respective statutes (which includes Listing Regulations) and any other applicable provision relating to the remuneration/compensation/commission, etc. shall automatically be applicable to this Policy.

9. Disclosure

This Policy shall be placed on the Company's website in accordance with provisions of the Companies Act, 2013 and Listing Regulations and the salient features of the policy, if any, shall be disclosed in the Board's report.

10. Review of the policy

This Policy shall be reviewed by the Nomination and Remuneration committee annually (unless an earlier review is required) to ensure that it meets the regulatory requirements or latest industry practice or both. The changes made to the Policy shall be placed before the NRC and the Board for approval.
