

## 1 INTRODUCTION

AMC Repo Clearing Limited (hereinafter referred to as “ARCL” 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 stock exchanges/clearing corporations.

This Policy applies for nomination of and remuneration to the Directors and Key Managerial Personnel of ARCL.

## 2 OBJECTIVE OF THIS POLICY ARE

The Policy has been framed keeping in view the following objectives/purposes:

- a) 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 and to ensure long term sustainability of managerial persons and create competitive advantage; and
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration payable to Key Managerial Personnel 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 and aligns with the long term interests of the company and its shareholders.

## 3 CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE

The Board has constituted the “Nomination and Remuneration Committee” of the Board.

## 4 DEFINITIONS

‘**Act**’ means the Companies Act 2013 and includes the Rules framed thereunder, as may be amended from time to time.

‘**Board**’ means the Board of Directors of the Company.

‘**Committee**’ means the Nomination and Remuneration Committee of the Company as constituted/reconstituted by the Board of Directors of the Company, in accordance with the Act and provisions of Listing Regulations, 2015 and SECC Regulations, 2018.

‘**Directors**’ means Directors of the Company.

‘**Fixed Remuneration**’ includes fixed wages, contribution to Provident fund and allowances/ benefits.

‘**Independent Director**’ means a Director referred to in Section 149(6) of the Companies Act, 2013 and Regulation 16(1)(b) of the Listing Regulations, 2015.

**‘Key Managerial Personnel’** (the “KMP”) as defined under section 2(51) of the Companies Act, 2013, means:

- i. the Chief Executive Officer or the Managing Director or Manager;
- ii. the Company Secretary;
- iii. the 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.

Further, as defined in Regulation 2(1)(j) of the SECC Regulations, 2018 "Key Management Personnel" (KMP) shall include:

- i. Any person appointed as the managing director or executive director; or
- ii. A person serving as the head of department or vertical and directly reporting to the managing director or to the directors on the governing board of the recognised stock exchange or recognised clearing corporation; or
- iii. A person serving as the head of a core function as specified under Part-C of Schedule-II 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 recognised stock exchange or recognised clearing corporation; or
- v. Reporting officials of key managerial personnel; or
- vi. Any person defined as “key managerial personnel” under the Companies Act, 2013; or
- vii. Any other person who is decision making authority at the level of the recognised stock exchange or recognised clearing corporation 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 recognised stock exchange or a recognised clearing corporation 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.

**‘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.

**‘Nominee Director’** means (representatives of the issuers)\* of debt securities on the governing board of the recognized limited purpose clearing corporation on a rotational basis.

*\*The representative of the issuer of debt securities during a financial year shall be one of the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year.*

**‘Remuneration’** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961.

**‘Regulatory Department’** refers to the following departments of the Company:

- Risk Management
- Membership
- Compliance

**‘SEBI’** means the Securities and Exchange Board of India

Words and expressions used and not defined in this Policy, but defined in the Companies Act or any rules framed thereunder or the Securities and Exchange Board of India Act, 1992 and Rules and Regulations framed thereunder or in the Listing Regulations, 2015 or the Indian Accounting Standards shall have the meanings assigned to them in these acts/regulations/Rules/Standards.

### 5 GENERAL

This Policy is divided in three parts: -

Part – A: Terms of Reference for the Nomination and Remuneration Committee;

Part – B: Nomination of Directors and KMP’s; and

Part – C: Remuneration for Directors and KMP’s

## PART A – TERMS OF REFERENCE FOR NOMINATION AND REMUNERATION COMMITTEE

Regulation 27 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations) also mandates constitution of Nomination and Remuneration Committee (“NRC”) to inter-alia determine the compensation of key management personnel in terms of compensation policy framed in accordance with the norms specified therein. The following are the terms of reference of NRC: -

### A) Terms of reference as per Companies Act 2013:-

The Nomination and Remuneration Committee (NRC) shall –

- i. identify persons who are qualified to become directors;
- ii. recommend to the Board appointment and removal of Directors in accordance with policy and criteria laid down;
- iii. recommend to the Board appointment and removal of personnel in Senior Management in accordance with Policy and criteria laid down;
- iv. specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance;
- v. formulate the criteria for determining qualifications, positive attributes and independence of a director;
- vi. recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;

### B) Terms of reference as per SECC Regulations:-

The Nomination and Remuneration Committee (NRC) shall –

#### **I. Governing Board & its Members related aspects:**

- a. Scrutinising and interviewing applicants for selecting the MD of the clearing corporation.
- b. Adhering and developing a skill evaluation metrics to assess applications of new or existing PIDs and NIDs for their appointment and/or reappointment and recommending their names to the Governing Board
- c. Ensuring at all times that the governing board comprises of directors with required skill set and expertise in the areas as provided in SECC Regulations, 2018.
- d. Ensure compliance with governing board level skill diversity at the time of appointment, reappointment or extension of tenure of PIDs or NIDs.
- e. Framing & reviewing the policy to carry out internal evaluation of every director’s performance, including that of PIDs.
- f. Reviewing and recommending extension of the term of appointment and re-appointment of existing PIDs.
- g. Appointment of Independent External Professionals (IEPs).

#### **II. KMPs related aspects:**

- h. Identifying KMPs based on importance of activities carried out by them, including being key decision makers within the clearing corporation, other than those specifically provided under

regulation 2(1)(j) of the SECC Regulations, 2018. For identifying KMPs, one of the criteria should be, persons (including employees/consultants) drawing annual pay higher than any KMP(s).

- i. Review, at least once a year hierarchical set ups across the departments, in order to identify KMPs due to a change in role and responsibilities assigned to them. Such review should necessarily include, consultants reporting to the MD/CEO or ED.
- j. The appointment and removal of KMPs other than resignations.
- k. Laying down policy for accountability of KMPs. Further, mapping legal and regulatory duties to the concerned position and Delegation of Power (DoP) at various levels.
- l. Laying down the policy for compensation of KMPs in compliance with the compensation norms prescribed under SECC Regulations, 2018 and ensuring that the compensation paid to KMPs is as per the compensation policy.
- m. Framing performance review parameters for evaluation of KMPs, including that of MD.
- n. Assess the performance of KMPs based on reports submitted by the functional heads/reporting authority, and observations, if any, received from SEBI, and submit such reports to the governing board every year.
- o. Determining the tenure of a KMP, other than a director, to be posted in a particular role within regulatory compliance, risk management and investor grievance vertical.
- p. Determining and finalizing the KRAs of all KMPs at the beginning of the year. Review the same in line with organizational needs.
- q. Ensuring that no KMP reports to a non-KMP.

### **III. On other organisation level related aspects:**

- r. Ensure that no employee of the clearing corporation is working or reporting to an employee of any other company where the clearing corporation has invested and vice versa.
- s. Ensure that hiring of consultants is based on a pre-defined SOP of the clearing corporation.
- t. Framing, reviewing, implementing and monitoring SOP for imposing disciplinary actions against employees of clearing corporation.
- u. Besides the above, it will also discharge the function as Nomination & Remuneration Committee under the Companies Act, 2013 and SEBI (LODR) regulations, 2015 as amended from time to time.

## PART – B: NOMINATION OF DIRECTORS AND KMP'S

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director of the Company and recommend to the Board his / her appointment. A person to be appointed as Director or KMP should possess adequate qualification, expertise and experience for the position he / she is considered.

### Composition of the Governing Board

In terms of Regulation 23 (1) of the SEBI Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 “SECC Regulations” the governing board of the company shall include:

- i. Nominee Director (ND)
- ii. Public Interest Director (PID)
- iii. Managing Director (MD)

The chairperson of the governing board shall be elected by the governing board from amongst the PIDs. The number of PIDs shall not be less than the number of NDs on the governing board of the company. The managing director shall be included in the category of Nominee directors.

### Appointment of Public Interest Director

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 Board, is in conflict with his role.

- 1) The committee shall recommend a person to be appointed as Public Director to the Board of Director.
- 2) The committee shall ensure that PID are selected from diverse field of work. While deciding to propose a particular person as a public interest director, the stock exchange/ clearing corporation shall also take into account the following factors:
  - a) Qualification in the area of law, finance, accounting, economics, management, administration or any other area relevant to the financial markets.
  - b) Atleast one person shall be inducted having experience and background in finance / accounts who may preferably be inducted in the audit committee.
  - c) Persons currently holding positions of trust and responsibility in reputed organisations or person who have retired from such positions.
  - d) Persons who are likely to have interested positions in commercial contracts and financial affairs of stock exchanges, may preferably be excluded. Persons who are regular traders/ speculators in the market or are director in the board of the promoter entity of the Stock Exchange or Clearing Corporation, shall be excluded.
  - e) No trading member or clearing member or their associates and agents, irrespective of the stock exchange / clearing corporation of which they are members, shall be on the governing board of any recognised stock exchange or recognised clearing corporation.

Independent directors of the associates of Public Financial Institution or Bank in public sector, who are clearing member and/or trading member and where the majority shareholding is that of such

public financial institution or bank in the public sector, shall not be deemed to be a clearing member and / or trading member.

- 3) The names of persons to be appointed as PID shall first be approved by the governing board, before submitting the same to SEBI for approval. The Shareholders approval shall not be necessary for appointment of PID.
- 4) A minimum of two names shall be submitted to SEBI for each vacancy of PID.
- 5) The maximum age limit for PID shall be 70 years.
- 6) Public interest directors shall be nominated for a term of three years, extendable by another term of three years, subject to performance review.

The PIDs shall comply with the code of ethics and code of conduct as prescribed by the company.

### Appointment of Nominee Director

As per regulation 22 C of SECC Regulations, the representative of the issuers of debt securities may be appointed on the governing board of the recognized limited purpose clearing corporation on a rotational basis and such a director shall be deemed to be a nominee director.

Explanation. — For the purpose of this sub-regulation, representative of issuers of debt securities during a financial year shall be one amongst the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year.

- i. Company shall identify top three issuers of debt securities during a financial year and subsequently to approach them for nomination of Nominee director.
- ii. The committee shall recommend a person to be appointed as Nominee Director to the Board of Director.
- iii. The names of persons to be appointed as Nominee directors shall first be approved by the governing board, followed by shareholders' approval before submitting the same to SEBI for approval.
- iv. The Nominee Director shall be appointed every year on rotational basis.
- v. The appointment and re-appointment of all Nominee directors shall be with the prior approval of regulator/s.

The procedure for selection of Nominee director is Annexed as **Annexure 1** subject to approval of SEBI.

### Appointment of Managing Director

As per Chapter V of the SECC Regulations on Governance of Stock Exchanges and Clearing Corporations, the governing board of every recognised clearing corporation shall include a Managing Director.

- i. The MD 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.
- ii. Nomination and Remuneration Committee (NRC) shall be responsible for selection of Managing Director.

- iii. NRC shall determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities associated with the selection/ appointment of the MD.
- iv. At the time of seeking approval of SEBI for the appointment of the managing director, the stock exchange/ clearing corporation shall seek approval for the compensation of the managing director from the SEBI.
- v. At least two names for the post of MD, without any order of preference, shall be forwarded to SEBI for approval.
- vi. The company shall also seek approval from RBI.\*
- vii. Term of appointment of MD should not exceed five years. A person may be appointed as the Managing Director by the company for a maximum of two terms not exceeding five years each, subject to a maximum age limit of sixty five years.
- viii. Age limit for appointment of MD is upto 65 years of age.

*\*RBI vide its letter dated April 05, 2023, has clarified that ARCL shall not be required to take prior permission of the Reserve Bank of India for appointing MD. However, ARCL may keep the RBI informed about such appointments, including approval obtained from SEBI.*

### Appointment of KMP's

Any selection, appointment/ re-appointment and tenure of a KMP of the Company shall be governed by the provisions of the Act, the Listing Regulations, 2015, the SECC Regulations, 2018, Payment and Settlement Systems Act, 2007, PSS Regulations, 2008 and other applicable laws from time to time.

The tenure of KMP's in a regulatory department would be till he/ she ceases to be the employee of the Company or for a fixed period as may be decided by the Committee.

### Retirement / Resignation / Removal of Director/KMP's

Directors and KMP's shall retire/cease to hold office as per the applicable provisions of the Companies Act, 2013, Listing Regulation, 2015, SECC Regulation, 2018, Payment and Settlement Systems Act, 2007, PSS Regulations, 2008 and the prevailing policy of the Company or in terms of which such appointment was made.

Owing to disqualifications for any reasons mentioned in the Act or rules made thereunder or under any other Act, Rules and Regulations as may be applicable and subject to the prevailing HR Policy of the Company, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director/KMP, subject to the provisions and compliance of the said Act, rules and regulations.

The Board will have the discretion to extend the term of a KMP, even after his/her attaining the age of superannuation, for the benefit of the Company.



## PART-C: REMUNERATION TO DIRECTORS AND KMP'S

As per Section 178 of the Companies Act, 2013, regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Regulations 27 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, the Nomination and Remuneration committee is required to recommend to the Board a policy relating to the remuneration for the Directors and Key Managerial Personnel.

### 1. Factors Determining Remuneration

- i. financial condition / health of the company including revenues, net profits and other relevant financial parameters, if any
- ii. average levels of compensation payable to employees in similar ranks, in the industry and industry standards
- iii. shall not contain any provisions regarding incentives to take excessive risks over the short term,
- iv. Role and responsibilities of the Director / KMP / Employees
- v. Performance of the KMP
- vi. Attract and retain KMP / Employees and motivate them to achieve results with integrity and fairness, etc.

### 2. Compensation Structure

The Board of Directors of the Company shall decide the remuneration of Executive / Non-Executive Directors and KMP on the basis of recommendation of the Committee subject to the overall limits provided under the Companies Act, 2013 and rules made thereunder, including any amendments, modifications and re-enactments thereto and in compliance with the provisions of the Act, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SECC Regulations, Payment and Settlement Systems Act, 2007, PSS Regulations, 2008 as applicable from time to time.

#### A) Directors

##### Public Interest Director and Nominee Director

The PIDs and NDs shall be paid for Board Meetings and any Committee Meetings attended by them. The board of the company, in its meeting held on 09<sup>th</sup> December 2021, had approved the following sitting fees to the directors for the board and committee meetings:

For Board Meeting	: Rs.1,00,000 per meeting
For Committee Meeting	: Rs.50,000 per meeting

The above fee structure shall continue to be followed by the company. Any change in sitting fees will be recommended by the Committee and approved by the Board, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees.

The Board considers the following factors while approving the change in the sitting fees to the Board/Committee members:

- a) Contribution expected from Directors considering size and complexity of organization;
- b) Comparison with the peers/ Industry benchmarking;

- c) Regulatory guidelines as applicable etc.

The Non-Executive Directors are also entitled to reimbursement of expenses for attending the Board and other Committee meetings including travelling, boarding and lodging expenses, shall be paid by the Company.

### B) Key Managerial Personnel

The Committee shall recommend the remuneration of other KMP's to the Board for its approval, taking into consideration the following factors:

- i. Value added from time to time / their contribution to the Organization growth.
- ii. Financial condition / health of the Clearing Corporation.
- iii. Comparability to the industry standards
- iv. Revenues, net profit of the Clearing Corporation;
  - average levels of compensation payable to employees in similar ranks
  - periodic review
- v. Ensure that the variable component of the remuneration of other KMP's is basis the Performance rating as per the matrix adopted by the Company which under any circumstances does not exceed one third of the fixed remuneration.
  - 50% of the variable component of the remuneration is paid only after the audited annual accounts for the year are approved by the Board of Directors and also subject to such payment being approved by the Board; and
  - the balance 50% of the variable pay will be paid on a deferred basis after three years.The payment of the entire variable component is subject to the provisions of 'malus' and/or 'clawback' provisions, as defined hereinafter.
- vi. No incentives are provided for excessive risks in the short term.

ESOPs and other equity linked instruments in the clearing corporation shall not be offered or provided as a part of the compensation to the key management personnel.

Any financial disincentive specified by SEBI and/or any other regulatory/statutory authority shall be applicable to KMP's.

Any change in the remuneration of the KMP's shall be recommended by the Committee to the Board for its approval.

### Malus and Clawback Provisions

A malus arrangement permits the clearing corporation to prevent vesting of all or part of the amount of a deferred variable component.

A clawback is a contractual agreement between the employee and the clearing corporation in which the employee agrees to return previously paid or vested variable component to the clearing corporation under certain circumstances.

The aforesaid clauses shall be triggered under the following circumstances:

- i. Fraud
- ii. Impersonation

- iii. Gross negligence which have caused or may cause significant financial loss or reputational harm to the Company
- iv. Mifseasance
- v. Any act amounting to criminal breach of trust
- vi. Conviction for an offence involving moral turpitude
- vii. Breach of confidentiality in trade secret
- viii. Ethical misconduct
- ix. Fraudulent financial reporting
- x. Overstating or misstating financial indicators or of the performance criteria either at the Company level or individual level with a view to get increased variable pay
- xi. Non-compliance or insubordination in adhering to regulatory/policy guidelines
- xii. Such other circumstances as the Committee and/or Board may decide.

### General parameters to consider increase in the remuneration

The salary increment budget would be ascertained by the Committee / Board every year, based on following parameters:

Company performance during the Financial Year;  
Employee appraisal rating scale provided by HR;  
Consumer Price Index.

### C) Remuneration of other Employees of the Company

Employees shall be assigned grades according to their qualifications and work experience, competencies as well as their roles and responsibilities in the organization. Individual remuneration shall be determined within the appropriate grade and shall be based on various factors such as job profile, skill sets, seniority, experience and prevailing remuneration levels for equivalent jobs.

ESOPs and other equity linked instruments in the clearing corporation shall not be offered or provided as a part of the compensation to the employees.

*Note: In the event of any conflict between the provisions of this Policy and of the SECC Regulations, 2018, the Companies Act, 2013 and rules made thereunder and the Listing Regulations, 2015, the provisions of the SECC Regulations, 2018, the Companies Act, 2013 and rules made thereunder and the Listing Regulations, 2015 shall prevail over this Policy.*

### POLICY REVIEW

This Policy shall be reviewed by the Nomination and Remuneration Committee as and when required or at least once in 2 years and changes made therein, if any, shall be approved by the Board.

### ANNEXURE 1:- THE PROCEDURE FOR SELECTION OF NOMINEE DIRECTOR FROM PUBLIC SECTOR UNDERTAKINGS

As per Regulation 22 (c) of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 “SECC Regulations 2018”, the representative of the issuers of debt securities may be appointed on the governing board of the recognized limited purpose clearing corporation on a rotational basis and such a director shall be deemed to be a Nominee director.

Explanation. — For the purpose of this sub-regulation, representative of issuers of debt securities during a financial year shall be one amongst the top three issuers, which are public sector undertakings, based on their issue size in the preceding financial year.

The term public sector undertaking, or Enterprise refers to a Government Company. “Government Company” is defined under Section 2 (45) of the Companies Act, 2013 as Any company in which not less than fifty-one per cent of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments and includes a company which is a subsidiary company of such a Government company. The term is not intended to mean a public company (where shares are freely transferable and can have a Nominee base of more than 200 people) though public sector enterprises are mostly public companies.

Public Sector undertakings refer to commercial ventures of the Government where user fees are charged for services rendered. The tariff/fees may be market based or subsidized. They are usually fully owned and managed by the Government such as Railways, Posts, Defense Undertakings, Banks etc.

#### Procedure for appointment of PSU director:-

- i. The period of appointment of the Nominee Director will be for maximum three year from the date of appointment of a Nominee director.
- ii. The selection of a director from PSU is based in the top three issuers in the previous financial year based on the proportion in terms of quantum issued during the previous financial year.

The data on the top 3 PSU issuers will be analyzed by the Company.

The issuer with largest issue size will be the first choice and accordingly a mail will be sent to the top 3 issuers for their consent on the choice of the first largest issuer as Nominee director (if not willing, the second largest issuer and then the third largest issuer).

After getting the consent from all the three issuers, a mail will be sent to the selected issuer to nominate a representative at senior management level on the board of ARCL as Nominee director. The name of the proposed Nominee director will be put up to Nomination and Remuneration Committee and then board for their approval followed by the approval of Shareholders in the Annual General Body Meeting (AGM).

After approval by shareholders, the nomination will be sent to SEBI for approval.