



AMC Repo Clearing Limited

Secretarial Department Board Evaluation Policy

ARCL/SECRETARIAL/POL/002

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Document Review and Approval

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1 Background

AMC Repo Clearing Limited (hereinafter referred to as “ARCL” or “the company”) is governed by the Companies Act, 2013 (‘the Act’) 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, Payment and Settlement Systems Act, 2007 and directions for Central Counterparties.

The Governing Board shall also be guided by the Guidance Note on Board evaluation issued by SEBI and RBI from time to time on a performance review of the Directors, Board and the Board committees.

According to Regulation 33 (5) of Disclosure and Corporate Governance Norms under SECC Regulations, 2018, recognised clearing corporation shall internally conduct annual evaluation of its performance and the performance of its statutory committees in such a manner as may be specified by SEBI.

As per Code of Conduct for Public Interest Directors/Independent Directors defined in SECC Regulations, 2018, , Public interest directors shall put in place an evaluation mechanism to assess the performance of Managing Director and Executive Directors on a continuing basis in line with evaluation guidelines for public interest directors.

2 Objective

The Policy has been framed keeping in view the objective:

- a) to ensure individual directors of the Company and the Governing Board as a whole and also its committees, work efficiently and effectively in achieving their functions for the benefit of the Company and its stakeholders.

3 Scope

The scope of Board Evaluation includes:

- a) Board of Directors
- b) Committees

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**’ or ‘**Committees**’ means the Committees of Board of Directors.

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

‘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. They are also referred to as Public Interest Director.

‘Nomination and Remuneration Committee’ shall mean a Committee of Board 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.

‘Policy’ means this Board Evaluation Policy.

‘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.

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 Board Evaluation

The Board Evaluation will be done either by the Governing Board or by the Nomination and Remuneration Committee (NRC) or by an independent external agency of individual directors (including the Chairperson and Public Interest Directors of the Company), the Governing Board as a whole and various committees of the Governing Board under the Act.

6 Interpretation

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

7 Frequency of Board Evaluation

Accordingly, this policy provides guidance on the evaluation of the performance Governing Board and various Committees on an annual basis. In addition to this, the performance of Public Interest Directors (PID / Independent Directors) shall be evaluated at the time of renewal of their tenure. PIDs shall also be subject to an external evaluation during the last year of their first term in the Clearing Corporation, by a management or a human resource consulting firm.

PIDs shall be evaluated at the time of new appointment and at the time of renewal.\

8 Performance Evaluation of Directors, Governing Board and Committees

The provisions contained in the Companies Act, 2013 read with rules made thereunder, Schedule IV of the Act, SEBI Listing Regulations and SCR (SECC) Regulations, 2018 stipulates the performance evaluation of Directors, the Board and its Committees.

Furthermore, the SEBI circular dated February 05, 2019, addressed to MIIs relating to the performance review of PIDs requires that the Public Interest Directors shall be subject to Internal evaluation every year and external evaluation during their last year of the term in MII, by a management or a human resource consulting firm.

The circular inter-alia states that while developing a framework for performance review of PIDs, ARCL needs to consider the Policy for performance review of PIDs, guiding criteria of performance review, evaluation mechanism – Internal and External. The performance of the PID shall be considered for the entire tenure served in a given MII, at least up to 4 months before the expiry of the term.

After taking into account the performance of a PID, on the basis of internal evaluation and external evaluation both carrying equal weightage, NRC shall consider and recommend the extension of his/her tenure to SEBI if the tenure of the POD is desired to be extended by another term of three years.

The evaluation requirement as envisaged under various sections of the Companies Act, 2013, SEBI Listing Regulations and SCR (SECC) Regulations is as under:

- a) Independent Directors may, at their meeting, review the performance of the Chairperson, the Non-Independent Directors and the Board as whole.
- b) The Board may evaluate the performance of the Board as a whole, the Committees as defined in this policy and each director and while doing so, may take into consideration the inputs received from the review by NRC and the review by independent directors, the NRC shall review its implementation and compliance.
- c) The performance of Public Interest Directors shall also be evaluated during the last year of their first term in MII by a management or a human resource consulting firm.

9 Criteria for Evaluation

The criteria for evaluation are laid out in **ANNEXURE 1**.

10 Evaluation of Public Interest Directors / Independent Directors

10.1 Methodology for Evaluation of PID Due for Renewal / Re-appointment

The following method for evaluation of performance is to be adopted:

- a) Internal Evaluation and/ or
- b) External Evaluation.

10.1.1 Internal Evaluation

The Internal Evaluation to be conducted in the following manner:

- a) A detailed questionnaire to be circulated to individual directors and committee members.
- b) Oral assessments, if any, provided by the person on interviews.

If deemed fit, the questionnaire may enable written answers to be submitted on a confidential basis. If due to various reasons, members are not willing to provide written inputs, the Chairperson or any other person may take initiative and obtain views of such members on a confidential basis to the Chairperson of NRC.

10.1.2 External Evaluation

The external evaluation can be conducted in the following manner:

- a) External evaluation to be done basis the questionnaire/ interview or a combination of the two.
- b) The purpose of conducting such an external evaluation is to complement the internal assessment and add an objective to the evaluation process.
- c) It is to be ensured that the external evaluator is not a related party or conflicted due to closeness of the Governing Board to ensure impartiality.

10.1.3 External Evaluation Process

- a) Study of the background of each Public Interest Director whose term is about to expire;
- b) Analysis of any secondary information available with ARCL regarding the performance of the said Directors over the last three years, on the basis of any external/ internal assessment that may have been done by the Governing Board;
- c) Study of non-confidential Board minutes to assess quality of contribution of Board members;
- d) Dialogue with Executive Director(s) and non-executive director(s) of ARCL to provide their assessment of each of such PIDs;
- e) In-person evaluation of each of such PIDs by an industry veteran;
- f) Assessment of each of such PIDs on various parameters such as independence, availability, commitment & contribution, qualifications, knowledge, competency, experience & integrity, ability to effectively discharge responsibilities with team spirit and initiative, independent as per norms and independence in thoughts, words and spirit, staying informed about the business and regulatory changes etc.; and
- g) Write up and present reports on each of such PIDs.

11 Evaluation of Independent External Persons (IEPs)

The independent external persons forming a part of Committees/ Board shall be from amongst the persons of integrity, having a sound reputation and not having any conflict of interest. They shall be specialists in the field of work assigned to the committee. However, they shall not be associated in any manner with the MII and its members.

Extension of the tenure may be granted to independent external persons at the expiry of the tenure, subject to performance review in the manner prescribed by SEBI and RBI for PIDs. Further, the maximum tenure limit of Independent external persons in a Committee/ Board of the MII shall be at par with that of PIDs, as prescribed under Regulations 24(3) of the SECC Regulations, 2018 and Clause 5(2) of Section A of Directions for Central Counterparties (CCPs).

12 Evaluation of Managing Director / Executive Directors

While evaluating the performance of the Managing Director/ Executive Director and the Whole-time Director, the NRC shall always consider the appropriate benchmarks set as per industry standards, the rules, circulars, guidelines and procedures, if any, issued by the SEBI in this regard and shall also keep in mind the policy, if any, framed for performance review of Managing Director/ Executive Directors besides this policy.

13 Assessment Process

- a) A questionnaire to be sent individually to all the Directors to assess the performance of all the other Directors, the Board and its Committees and assign appropriate scores.
- b) The Chairman of NRC may club the scores of each Directors and take out an average to determine the results of performance evaluation.
- c) The scores obtained by the Non-Independent Directors will be placed before the meeting of Independent Directors (ID) and their views will be obtained.
- d) The scores obtained by the Individual Directors, the Board and the Committees and the inputs received from the meeting of ID will be placed before the NRC (only for PID's) and the Board and their views will be obtained to evaluate its performance, that of its committees and each of the Directors.
- e) Summary of Board evaluation shall be placed before the NRC in its later meeting to review its implementation and compliance.

14 Feedback

- a) Feedback is crucial for the success of the Board Evaluation and hence feedback, if any, should be provided to the individual directors.
- b) On collation of all the responses, the feedback may be provided in one or more of the following ways:
Orally given by the Chairman/ external evaluator or any other suitable person to:
 - a. Each Board Member / Committee Member separately;
 - b. To the entire Governing Board; and
 - c. To the Committees.
- c) The active role of the Chairperson is desirable in providing feedback to the members. If members are not comfortable to open individual assessments and provision for confidentiality may be made where possible.
- d) For effectiveness of the evaluation, it is essential that the feedback be given honestly and without bias.

15 Action Plan

- a) NRC to review the implementation of the Board evaluation and its compliance.
- b) Based on the analysis of the evaluation, the Board to prepare an action plan taking into consideration any of the following factors:
 - a. Areas of improvement required for the Board.
 - b. Training to be imparted, skill building etc.
 - c. Listing of actions to be taken.
 - d. Timeline for implementation of these actions.
 - e. Person responsible for its implementation.
 - f. Resources required to implement the plan.
 - g. Review of actions within the prescribed timelines.
 - h. Any other actions, as may be required/ necessary.

16 Annexure I - Criteria for Performance Evaluation of

16.1 Scope

- a) Governing Board
- b) Committees,
- c) Individual Directors,
- d) The Chairperson and
- e) Public Interest Directors

16.2 Guiding Principles for Performance Evaluation of the Board

16.2.1 Governance related

- a) Corporate Governance standards adopted by the Board such as board composition, board diversity etc. and its implementation.
- b) Understanding roles and responsibilities of Directors.
- c) Adherence to code of conduct.
- d) Independence of Board functioning.
- e) Commitment to the highest ethical standards of integrity and probity.
- f) Implementation and periodic review of policies and procedures for risk management, financial controls and statutory/ regulatory compliance.
- g) Number and adequacy of meetings, discussion on strategic matters having a substantial effect on the functioning of the Company.
- h) Accountability for decision taken.
- i) Stakeholder relationship management.
- j) Adequacy on flow of information to the Board.

16.2.2 Business related

- a) Understanding of the objectives, values, vision and business of the Company.
- b) Provision of entrepreneurial leadership.
- c) Setting up of Company's strategic aims and financial goal.
- d) Guidance to drive financial and business performance of the Company and periodic review of the same.
- e) Ensuring necessary financial and human resource support to achieve the Company's objectives.
- f) Strategic and business risk evaluation, assessment and timely action.

16.2.3 Others

- a) Board processes for ensuring optimum size, composition, diversity and delegation of authority.
- b) Adequate reporting mechanism to stakeholders and redressal of their grievances.
- c) Engagement with the management (formal and informal) on issues/ concerns having an effect on the Company's functioning.

16.3 Guiding Principles for Performance Evaluation of the Committees

In addition to the principles stated above for evaluation of Governing Board to the extent applicable to the respective committee, following may be taken into consideration for performance evaluation of Committees:

- a) Constructive recommendations made by the Committee(s) to the Governing Board may also be kept in mind.
- b) Engagement with management (formal and informal) on information required by the Committee to effectively discharge its statutory responsibilities.

16.4 Guiding Principles for Performance Evaluation of Individual Directors

- a) The individual director's performance may be largely evaluated based on his/ her level of participation and contribution to the performance of Board/ Committee(s) in respect of the above areas.
- b) Understanding of roles, responsibilities, regulatory systems, laws and regulations applicable to the Company and performance of duties in an independent and objective manner.
- c) Understanding of objectives, values, vision and business of the Company.
- d) Level of participation and devotion of time to Board meetings and Committee meetings, if any.
- e) Skills, knowledge, experience, application of subject matter expertise.
- f) Adherence to Code of conduct of the Company.
- g) Disclosure of conflict of interest or material pecuniary relationships with the Company, its subsidiaries and associates or any proposed contract or arrangement.
- h) Engagement with management for efficient discharge of responsibilities.

16.5 Guiding Principles for Performance Evaluation of Chairperson

- a) In addition to the above, the following principles may be kept in mind while evaluating the performance of the Chairman:
- b) Efficient leadership qualities and determination of delivery of the Company's strategy.
- c) Guidance to Board for formulation of annual work plan against agreed objectives and goals.
- d) Ensuring adequate flow of information to all Directors on any issue where a decision is required.
- e) Enhancing of Company's image in dealings with major stakeholders.
- f) In-depth knowledge of the industry and business.
- g) Enjoy trust and confidence of Board members.
- h) Ensuring that every Board member has an opportunity to be heard and to present his/ her views without any constraint.
- i) Encouragement to Independent Directors to bring diverse perspectives on the table.
- j) Ensuring that Directors are fully informed as possible on any issue where decision is required.

16.6 Guiding Principles for Performance Evaluation MD / CEO / MD&CEO / EDs / WTD

- a) Long-term vision for the Company and business acumen.
- b) Entrepreneurial leadership to the Company and its business segments and setting up strategic vision.
- c) Clear understanding of Company's business, industry dynamics, competitive trends including global trends and inherent nosiness and operational risks.

- d) Willingness to experiment and adopt innovative strategies for changing the Company's business landscape.
- e) Execution of policies and procedures put in place by the Board.

16.7 Guiding Principles for Performance evaluation of the PIDs

16.7.1 Qualifications

- a) The PID's qualification in the area of law, finance, accounting, economics, management, administration or another area relevant to the financial markets, including any recent updates in this regard.

16.7.2 Experience

- a) The PID's prior experience in the area of law, finance, accounting, economics, management, administration or any other area relevant to the financial markets, including any recent updates in this regard.

16.7.3 Knowledge and Competency

- a) Whether the PID has sufficient understanding and knowledge of the entity in which it operates and the applicable regulatory norms.
- b) Whether the PID has sufficient understanding of the role, responsibilities and obligations of PID under the relevant regulatory norms.
- c) How the PID fares across different competencies as identified for effective functioning of Board of the concerned MII.
- d) Whether the PID has sufficient understanding of the risk attached with the business structure.

16.7.4 Fulfilment of functions

- a) Whether the PID understands and fulfils the functions as assigned to him/ her by the Board and the regulatory norms.
- b) Whether the PID gives views and opinion on various regulatory matters when comments are invited by SEBI and RBI through various means.

16.7.5 Ability to function as a team

- a) Whether the PID is able to function as an effective team member.
- b) Whether the PID listens attentively to the contributions of others and gives adequate weightage to views and perception of other Board members.
- c) Whether the PID shares good interpersonal relationship with other directors.

16.7.6 Initiative

- a) Whether the PID actively takes initiative with respect to various areas.
- b) Whether the PID insists on receiving information necessary for decision making.
- c) Whether the concerned PID keeps himself well informed about the functioning of MII and the external environment in which it operates.
- d) Whether the PID remains updated in terms of developments taking place in regulatory areas.

- e) Whether the PID has identified any important issues concerning any matter which may involve conflict of interest for the concerned MII, or may have significant impact on their functioning, or may not be in the interest of securities market, and whether the PID reported same to SEBI and RBI.
- f) Whether the PID appropriately deals with critical matters.

16.7.7 Availability and attendance

- a) Whether the PID is available for meetings of the Board and attends the meeting of Governing Board and Committees regularly and timely, without delay. It must be ensured that the concerned PID hasn't remained absent for three consecutive meetings of the governing board and has attended seventy-five per cent of the total meetings of the governing board in each calendar year; failing which the PID shall be liable to vacate office.

16.7.8 Commitment

- a) Whether the PID is adequately committed to the Board and the MII. BOARD EVALUATION POLICY
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- c) Whether the PID has contributed effectively to the entity and in the Board meetings.
- d) Whether the PID participates in the proceedings of Board meetings keeping in mind the interests of various stakeholders.
- e) Whether the PID actively deliberates and contributes to proposed business propositions and strategic decision taking into consideration pros and cons of such propositions, long term outlook, business goals, cost-benefit analysis, etc.

16.7.9 Integrity

- a) Whether the PID demonstrates the highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.)
- b) Whether the PID strictly adhere to the provisions of SEBI and RBI and any other regulatory provision as applicable, along with the code of conduct prescribed under other applicable regulatory norms.
- c) Whether disclosures such as dealing in securities and other regulatory disclosures are provided by the PID on timely basis.
- d) Confirmation of the PID being a Fit & Proper person.
- e) Confirmation that the PID doesn't disclose confidential information, including technologies, unpublished price sensitive information, unless such disclosure is expressly approved by the Board of Directors or required under the applicable laws.

16.7.10 Independence

- a) Whether the PID is independent from the entity and the other directors and there is no conflict of interest.
- b) Confirmation as to non-association of the PID with relevant MII and its member.
- c) Whether the PID keeps regulators informed of material developments in the concerned MIIs functioning, from time to time.

16.7.11 Independent views and judgement

- a) Whether the PID exercises his/ her own judgement and voices opinion freely.
- b) Whether the PIDs participation in decision taken during meetings are unbiased, based on ethical judgement and are in strict conformity to the applicable regulatory norms.
- c) Whether the PID raises his/ her concern if anything is observed contrary to regulatory norms and the expected norms of ethical conduct.
- d) Whether the PID is committed to ensure that there is fairness and integrity in MIIs system, in letter as well as spirit.

While carrying out performance evaluation as above, the Governing Board may take into account the input received, if any, from the review by Independent Directors.

17 Revision

The policy will be reviewed annually or updated whenever regulatory or governmental changes impact the policy.