



**FRAMEWORK FOR CORPORATE GOVERNANCE OF THE CLEARING  
CORPORATION OF INDIA LTD**

**I. Board's Role and Responsibilities:**

The Board is responsible, for establishing, and helping the Company to achieve business and organizational objectives through oversight, review and counseling.

- i. The roles and responsibilities of the Board include:
  - a) establishing clear strategic aims for the Company;
  - b) ensuring effective monitoring of senior management;
  - c) establishing appropriate compensation policies;
  - d) establishing and overseeing the risk-management function and material risk decisions;
  - e) overseeing internal control functions (including ensuring independence and adequate resources);
  - f) ensuring compliance with all supervisory and oversight requirements;
  - g) ensuring consideration of financial stability and other relevant public interests;
  - h) providing accountability to the owners, participants and other relevant stakeholders;
  - i) ensuring fair and transparent conduct of the Company;
  - j) to organise, maintain, control, manage, regulate and facilitate the operations of the Company pursuant to the powers provided under the Memorandum and Articles of Association of the Company, Bye-Laws, Rules and Regulations of the Company and directions/guidelines/regulations etc. issued by RBI under The Payment and Settlement Systems Act, 2007 (PSS Act) from time to time.
  - k) to frame, make, amend, repeal, add Bye-Laws from time to time, for any or all matters relating to the conduct of the business of the Company and to control, define and regulate all such transactions and to do all such acts, deeds and things which are necessary for the purposes of the Company subject to the provisions of the Memorandum and Articles of Association, Bye-Laws, Rules and Regulations.

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**THE CLEARING CORPORATION OF INDIA LIMITED**

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CIN: U65990MH2001PLC131804

The Company has appointed a Managing Director who shall be responsible for running the day-to-day affairs of the Company as per the applicable laws and various policies and procedures laid down by the Board from time to time and shall also be responsible for ensuring compliance with applicable laws and monitoring and evaluation of Senior Management.

The Board has delegated various financial and non-financial powers to the Managing Director for smooth conduct of day-to-day affairs of the Company. Further, the Board has also delegated the powers which are delegated to the Managing Director (including financial powers except investment powers) to the Committee of Senior Officials of the Company, in order to carry out the day-to-day affairs of the Company, in the absence of the Managing Director. The decisions for any proposal shall be taken by the said Committee of Senior Officials with the approval of at least three members.

- ii. In terms of Section 166 of the Act, the Director shall have the duty to:
- a) act in accordance with the articles of the Company;
  - b) act in good faith in order to promote the objects of the Company for the benefit of its members as a whole, and in the best interests of the Company, its employees, the shareholders, the community and for the protection of the environment;
  - c) exercise his or her duties with due and reasonable care, skill and diligence and shall exercise independent judgment;
  - d) not involve in a situation in which he or she may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company;
  - e) not achieve or attempt to achieve any undue gain or advantage either to himself or herself or to his or her relatives, partners, or associates and if such Director is found guilty of making any undue gain, he or she shall be liable to pay an amount equal to that gain to the Company;
  - f) not assign his or her office and any assignment so made shall be void.

In addition to the above and Code of Conduct for Directors of the Company, an Independent Director shall abide by the provisions specified in the Code for Independent Directors - Schedule IV in terms of Section 149(8) of the Act, as amended from time to time.

- iii. Every Director of the Company shall make requisite disclosures as may be required to be disclosed under the provisions of the Act, Rules made thereunder, directions issued by RBI under the PSS Act as amended from time to time and various policies framed by the Company from time to time.

## **II. Powers of the Board:**

- i. The Board of the Company is entitled to exercise all such powers, and to do all such acts and things as the Company is authorized to exercise and do subject to the provisions contained in the Act, Memorandum and Articles of Association of the Company, any regulations not inconsistent therewith and duly made thereunder, including regulations made by the Company in General Meetings. However, the Board shall not exercise any powers which are to be exercised by the Company only with the consent of the Shareholders of the Company.
- ii. Apart from the Act, the Board is also required to do the acts and things as may be directed by RBI from time to time pursuant to its powers under the PSS Act as amended from time to time.
- iii. The Board from time to time may delegate substantial powers of the management of the affairs of the Company to the Managing Director / Whole Time Director / Manager or any authority of the Board. Further, in terms of the Act and Articles of Association, the Board may delegate any of their powers to the Committee(s) of the Board or any person or body appointed by them.
- iv. Pursuant to the powers conferred under Articles of Association relating to the operations of the Company, the Board may from time to time approve functional heads / senior officials of the Company as Officers-in-charge, with the reporting to the Managing Director, to comply with applicable laws and internal processes as approved by the Managing Director from time to time in respect of the operations of the Company.

**III. Organization structure and monitoring of the Management:**

- i. Senior Management to be identified based on professional/ technical qualifications, wherever required, market / industry experience as also the knowledge, expertise for the relevant areas of operations for which they are identified. In addition, the Managing Director / Nomination and Remuneration Committee may decide other criteria for the relevant areas of operations from time to time.
- ii. The appointment and remuneration of Key Managerial Personnel and personnel in Senior Management shall be as decided by the Nomination and Remuneration Committee.
- iii. The performance of the Senior Management shall be monitored by the Managing Director as per the framework structured by the Human Resource Department.
- iv. The Nomination and Remuneration Committee shall recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other Employees.
- v. The ratio of compensation paid to Senior Management vis-a-vis median of compensation paid to all employees of the Company shall be disclosed by the company in its Annual Report.
- vi. The Senior management shall have the following broad responsibilities:
  - a) ensuring consistency of Company's activities with the objectives and strategies determined by the Board;
  - b) designing and establishing compliance and internal control procedures promoting the objectives of the Company;
  - c) regularly reviewing and testing internal control procedures;
  - d) ensuring that sufficient resources are devoted to risk management and compliance;
  - e) the risk control process; and
  - f) ensuring that risks posed to the Company by its clearing and related activities are addressed.

- vii. The Board shall lay down detailed Roles and Responsibilities of the Senior Management Personnel.

“Senior management” 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.

“Key Managerial Personnel” means:

- (i) the Chief Executive Officer or the managing director or the 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) such other officer as may be prescribed.

#### **IV. Board Size, Composition, Qualifications and Appointment /Re-appointment of Directors:**

##### **i. Board Size**

The Board shall comprise of a minimum of Three (3) Directors and a maximum of Fifteen (15) Directors in terms of the Articles of Association of the Company.

##### **ii. Composition**

- a) The Board of the Company shall include:
  - (i) Nominee Directors;
  - (ii) Independent Directors;
  - (iii) Managing Director; and,
  - (iv) such other Directors as may be notified by RBI from time to time.
  
- b) The Board shall comprise of such number of Independent Directors and Nominee Directors as may be required under the Act, Articles of Association of the Company, RBI’s directives under the PSS Act or such other laws as may be applicable to the Company;

- c) The number of Independent Directors, on the Board and the Committees of the Company, shall be at least equal to the number of Nominee Directors (including the Managing Director)
- d) There shall be at least one Woman Director on the Board;
- e) The Company shall have separate offices of the Managing Director and of the Chairperson of the Company. The Chairperson of the Company shall be a Non-Executive and Independent Director.

### **iii. Qualifications**

- a) The Directors shall possess appropriate balance of skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, information technology or other disciplines related to the Company's business;
- b) The Directors are expected to have proven record of professional success, leadership and highest level of personal and professional ethics, integrity and values.
- c) The Directors shall not incur any disqualification in terms of the provisions of the Act and Rules made thereunder and shall fulfill the "Fit and Proper" criteria prescribed under the directions issued by RBI under PSS Act as amended from time to time;
- d) The Independent Directors shall fulfill the criteria of Independence laid down under Section 149(6) of the Companies Act, 2013 and rules made thereunder as amended from time to time and also comply with Rule 6 of the Companies (Appointment and Qualification of Directors) Rules, 2014 as amended from time to time;
- e) The nominee directors shall be serving officials of the nominating organization with relevant experience and expertise in areas such as Finance, Treasury, Risk Management, Bond Markets, Payment Systems, Information Technology, etc;

- f) The Managing Director and the Chairperson shall be required to fulfill the criteria as prescribed under the Act and as per the directions issued in this regard by RBI under the PSS Act as amended from time to time;
- g) Such other qualifications/ as may be prescribed under the Act or directed by RBI from time to time.

#### **iv. Appointment/Re-appointment**

The appointment /re-appointment of all the Directors shall be made by the Board on the recommendation of the Nomination and Remuneration Committee of Directors. The procedure and manner of appointment and re-appointment of the Directors, Managing Director and Chairperson shall be in terms of the provisions of the Act and Rules made thereunder, Articles of Association of the Company and directions issued in this regard by RBI under PSS Act as amended from time to time including but not limited to the age limit, maximum tenure, Fit and Proper criteria and prior approval of RBI wherever required.

#### **V. Board Diversity**

The Company believes that a truly diverse Board should be able to make good use of diversity in skills, industry experience, expertise, educational background of each Director. These diversities may be considered while determining the composition of the Board and balanced appropriately.

In order to ensure that the Board is endowed with appropriate balance of skills, experience and diversity of perspectives, the Company shall be guided by the following principles relating to Board diversity:

- a. The Board shall be represented by members from diverse background and experience including but not limited to accountancy, banking, economics, finance, information technology, payment and settlement systems, human resources, risk management and such other matters the special knowledge or practical experience of which, in the opinion of the Board would be in the business interest of the Company;
- b. The Company believes in gender diversity and shall not discriminate on the basis of gender in the matter of appointment of directors on the Board;

- c. The Company shall endeavour to promote having a boardroom comprising of people from diverse backgrounds and experience so that the directors may efficiently contribute their thorough knowledge and understanding for the benefit of Company's business;
- d. Decisions pertaining to appointment/ re-appointment of Directors shall be based on their qualifications, skills, experience, expertise, contributions during deliberations at meetings of the Board and adherence to corporate governance norms as reflected in the outcomes of their performance evaluation;
- e. Adoption of best practices to ensure fairness, equality, transparency and diversity while selecting Directors

In terms of the provisions of the Companies Act, 2013, Nomination and Remuneration Committee is authorized to select potential candidate for appointment /re-appointment as Directors and recommend their appointment / re-appointment to the Board for its approval. While selecting potential candidates, the NRC shall consider the above-mentioned principles in respect of Board diversity and any other aspect which they might consider necessary to ensure that the Board shall collectively possess the necessary qualifications and experience commensurate with size, complexity, and business operations of the Company.

**VI. Number of Directorships:**

A Director shall not hold office including any alternate Directorship in more than twenty Companies at the same time out of which the Directorships in Public Companies shall not exceed ten (including Directorships in private Companies that are either holding or subsidiary Company of a Public Company). The Directorships held by a Director in a Dormant Company shall not be reckoned for calculating the limit of twenty Directorships. Holding of more than the prescribed number of Directorships shall disqualify the Director from being appointed as a Director of the Company in terms of section 164(1) of the Act.

**VII. Tenure:**

- i. The tenure of all the Directors of the Company shall be in accordance with the Companies Act, 2013, as amended from time to time, subject to the directions issued in this regard by RBI, under the PSS Act as amended from time to time.

- ii. Save as provided in the directions issued by RBI under the PSS Act, the Director / Independent Director / Nominee Director shall be appointed for a maximum of two terms of three years each or up to the age limit prescribed under the directions issued in this regard by RBI, under the PSS Act as amended from time to time, whichever is earlier.
- iii. The first term of the Director / Independent Director / Nominee Director may be extended by another term, subject to a satisfactory performance review and approval of RBI.
- iv. A cooling-off period of three years shall be applicable before a Nominee Director becomes eligible for being appointed as Independent Director and vice versa.
- v. The tenure of the Managing Director of the Company shall not exceed 5 years at a time or such period as may be prescribed under the Act as amended from time to time, subject to the directions issued in this regard by RBI, if any, under PSS Act, from time to time. Save as provided in the directions issued by RBI under the PSS Act, the term of the Managing Director may be extended by another term or up to the age limit prescribed under the directions issued in this regard by RBI, under PSS Act as amended from time to time, whichever is earlier, subject to satisfactory performance review and approval of RBI.
- vi. The tenure of the Chairperson shall not exceed three years at a time subject to the direction issued in this regard by RBI, if any, under PSS Act, as amended from time to time. The term of the Chairperson may be extended by another term, subject to satisfactory performance review and approval of RBI, subject to the maximum permissible age for appointment / continuation as Non-executive Chairperson prescribed under the directions issued in this regard by RBI, under PSS Act as amended from time to time.

**VIII. Resignation and Vacation:**

- i. A Director may resign from his office by giving a notice in writing to the Company and may forward a copy of his resignation along with detailed reasons to the Registrar within thirty days of resignation.
- ii. The resignation of a Director shall take effect from the date on which the notice is received by the Company or the date, if any, specified by the Director in the notice, whichever is later. If no date is specified in the resignation letter, such resignation of Director shall take effect from the date of its receipt by the Company.
- iii. The office of a Director shall become vacant in case—
  - a) he / she incurs any of the disqualifications specified in Section 164 of the Act wherein, if the disqualification incurred is pursuant to section 164(2) of the Act, he/she shall vacate the office in all the companies other than the company which is in default under section 164(2);
  - b) he / she absents himself/herself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;
  - c) he / she acts in contravention of the provisions of Section 184 relating to entering into contracts or arrangements in which he/she is directly or indirectly interested;
  - d) he / she fails to disclose his/her interest in any contract or arrangement in which he/she is directly or indirectly interested, in contravention of the provisions of Section 184;
  - e) he / she becomes disqualified by an order of a court or a Tribunal;
  - f) he / she is convicted by a court of any offence, whether involving moral turpitude or otherwise i.e. any offence in respect of which he/she has been convicted by a Court under the Act or the Companies Act 1956 and sentenced in respect thereof to imprisonment for not less than six months;

Provided that if a Director incurs the disqualifications referred to in clauses (e) and (f) mentioned hereinabove, his/her office shall not be vacated for such period or where an appeal or petition or any further appeal or petition is preferred against the conviction/order within such period as specified in the proviso to clauses (e) and (f) of section 167 of the Act;

g) he / she is removed in pursuance of the provisions of the Act;

h) he / she having been appointed a Director by virtue of his / her holding any office or other employment in the holding, subsidiary or associate Company, ceases to hold such office or other employment in that Company.

#### **IX. Proceedings of the Board:**

##### **i. Number of Meetings**

- a) The Board shall hold a minimum number of four meetings every year, with a maximum interval of 120 days between any two consecutive meetings of the Board.
- b) The Board may accord its approval through Circular Resolution on such matters which are not mandatorily required to be approved at a meeting of the Board under the Act and Rules made thereunder. The proposed resolution shall be circulated in draft, together with the necessary papers, if any, to all the Directors including Interested Directors, if any, in such manner as may be prescribed under the Act, rules made thereunder and secretarial standards on Board Meetings as amended from time to time and such resolution shall be considered to be duly passed when it is approved by a majority of the Directors, who are entitled to vote on the resolution.
- c) Where not less than one-third of the total number of Directors of the Company for the time being require that any resolution under circulation must be decided at a meeting, the Chairperson shall put the resolution to be decided at a meeting of the Board.
- d) The Company shall observe the Secretarial Standards with respect to the procedure of Board Meetings, specified by the Institute of Company Secretaries of India (ICSI), as approved and notified by the Central Government from time to time.

**ii. Notice of the Meeting**

A meeting of the Board shall be called by giving not less than seven days' notice in writing to every Director at his address registered with the Company and such notice shall be sent by hand delivery or by speed/registered post or by electronic means. A meeting of the Board may be called at shorter notice to transact urgent business subject to the condition that at least one Independent Director shall be present at the meeting. In case of absence of an Independent Director from such a meeting of the Board, decisions taken at such a meeting shall be circulated to all the Directors and shall be final only on ratification thereof by at least one Independent Director. The fact that the Meeting is being held at a shorter Notice shall be stated in the Notice.

**iii. Agenda of the Meeting**

The Company shall circulate Agenda, setting out the business to be transacted at the Meeting, and Notes on Agenda to all Directors by hand delivery or by speed/registered post at their address registered with the Company or by e-mail or by any other electronic means well in advance as prescribed under Secretarial Standards, notified by Central Government and amended from time to time. Each item of business shall be serially numbered and supported by a note setting out the details of the proposal and, where approval by means of a resolution is required, the draft of such resolution shall be either set out in the note or placed at the meeting. However, any other decision taken at the Meeting may also be recorded in the Minutes in the form of a resolution, even if the draft of such resolution is not set out in the Agenda note or placed at the meeting. Any item not included in the Agenda may be taken up for consideration with the permission of the Chairman and with the consent of a majority of the Directors present in the Meeting. The decision taken in respect of any other item shall be final only on its ratification by a majority of the Directors of the company, unless such item was approved at the Meeting itself by a majority of Directors of the company.

**iv. Minutes of the Meeting**

As prescribed under the Act, the Company shall prepare and enter the minutes of every Board/Committee Meeting in the minutes book within thirty days of the conclusion of every Board/Committee Meeting. Copy of the draft minutes of the Board/ Committee Meetings

shall be circulated to the Directors/members of the Committee as on the date of the meeting by hand delivery or by speed/registered post/courier at their address registered with the Company or by email or by any other electronic means within fifteen days from the date of the Board/ Committee Meetings for their comments. The Directors shall ensure that the comments, if any shall be sent to the Company within seven days from the date of circulation of the draft Minutes to them. If any Director does not comment on the draft Minutes, the draft Minutes shall be deemed to have been approved by such Director. The Chairman/Chairperson shall have absolute discretion to exclude from the Minutes, matters which in his/her opinion are or could reasonably be regarded as defamatory of any person, irrelevant or immaterial to the proceedings or which are detrimental to the interests of the company. The fact of the dissent and the name of the Director who dissented from or not concurring with the Resolution or abstained from voting thereon shall be included in the minutes.

The Minutes shall be signed and dated by the Chairman/Chairperson of the said meeting or the Chairman/Chairperson of the next succeeding meeting in the manner prescribed under the Act, Rules made thereunder and Secretarial Standards on Board Meetings. Within fifteen days of signing of the Minutes, a certified copy of the said signed Minutes shall be circulated to all the Directors, as on the date of the Meeting and appointed thereafter in the manner as may be prescribed under the Secretarial Standards on Board Meetings. The minute books of the Board/Committee Meetings shall be preserved permanently and kept in the custody of the Company Secretary of the Company or any Director duly authorized by the Board for the purpose and shall be kept in the registered office or such other place as the Board may decide. Each page of the Minutes shall be serially numbered.

*“Committee” means a Committee of Directors mandatorily required to be constituted by the Board under the Act.*

**v. Leave of absence**

The Director shall be granted leave of absence from attending the Board/Committee Meetings of the Company only when a request of such leave has been communicated in

writing or through electronic mode to the Company Secretary or to the Chairman or to any other person authorised by the Board to issue Notice of the Meeting.

**vi. Quorum**

The quorum for a meeting of the Board of Directors shall be one third of its total strength or three Directors, whichever is higher. At least half of the Directors attending the meeting of the Board shall be Independent Directors to constitute the quorum. Quorum shall be present throughout the Meeting. Directors participating through Electronic Mode in a Meeting shall be counted for the purpose of Quorum, unless they are to be excluded for any items of business under the provisions of the Act or any other law. A Director shall neither be reckoned for quorum nor shall be entitled to participate in respect of an item of business in which he is interested. If the item of business is a related party transaction, then interested directors shall not be present at the Meeting, whether physically or through Electronic Mode, during discussions and voting on such item. Wherein if the number of interested directors exceed or is equal to two-third of the total strength of the Board, the number of Directors not interested and present in that Meeting, being not less than two shall constitute a quorum.

**vii. Chairperson**

The Chairperson of the Company shall preside over all Board Meetings, but if, at any Board Meeting, the Chairperson of the Company is not present at the time appointed for holding the same, then and in that case the Directors shall choose one of the Directors then present to preside at the meeting.

In case of an equality of votes, the Chairperson of the Board / Committee (who is an Independent Director), shall have a second or casting vote.

The term 'Chairperson' or 'Chairman' can be interchangeably used for the person occupying the position of the Chairperson of the Board / Committee of the Board.

**X. Board Committees:**

- i. The Board may from time to time constitute Committees for implementing various policies of the Company and also for proper monitoring of critical activities of the Company.
- ii. The Board's Committees shall include the following:
  1. Statutory Committees as per the Act:
    1. Audit Committee
    2. Nomination and Remuneration Committee
    3. Corporate Social Responsibility Committee
  2. Committees as per the directions issued by RBI under the PSS Act:
    - i. Risk Management Committee
    - ii. Technical Approval Committee
    - iii. Regulatory Compliance Committee
  3. Such other Committees as may be constituted by the Board from time to time or as required under directions issued by RBI in this regard under the PSS Act.

**iii. Membership of the Committees and Quorum:**

- a) Statutory Committees as per the Act are as follows:
  1. Audit Committee- The Audit Committee shall consist of a minimum of 3 Directors with Independent Directors forming two third of the number of Directors in the Committee. The majority of members of the Audit Committee including its Chairperson shall be persons with ability to read and understand the financial statements. The quorum for a meeting of Audit Committee shall be three members. At least two third of the members attending the meeting of the Audit Committee shall be independent directors.
  2. Nomination and Remuneration Committee- The Nomination and Remuneration Committee shall consist of minimum of 3 or more non-executive Directors out of which majority shall be Independent Directors. The Chairperson of the Company may be appointed as a member of the Committee but shall not chair such Committee. The quorum for a meeting of

Nomination and Remuneration Committee shall be three members. At least half of the members attending the meeting of the Nomination and Remuneration Committee shall be independent directors.

3. Corporate Social Responsibility Committee- The Corporate Social Responsibility Committee shall consist of minimum of 3 Directors out of which atleast one Director shall be an Independent Director. The quorum for the Corporate Social Responsibility Committee meeting shall be one-third of the total strength or 2 directors whichever is higher.

b) Committees as per the directions issued by RBI under the PSS Act:

1. Risk Management Committee - The Risk Management Committee shall comprise such number of members as decided by the Board from time to time and shall be chaired by an independent director who shall not be a Chairperson of the Board or any other committee of the Board. The Chairperson of the Board may be a member of the Risk Management Committee only if he / she has the requisite risk management expertise. At least one of the independent directors should have expertise / qualification in the area of risk management. The Head of the Risk Management Department shall be responsible for implementation of the risk management policy and he / she shall have an additional reporting line to the Chairperson of Risk Management Committee. The quorum for a meeting of Risk Management Committee shall be three members. At least half of the members attending the meeting of the Risk Management Committee shall be independent directors. The Risk Management Committee shall meet at least once in a quarter.
2. Technical Approval Committee - The Technical Approval Committee shall comprise such number of members as decided by the Board from time to time and shall be chaired by an Independent Director, who is sufficiently knowledgeable in the field of Information Technology. The quorum for a meeting of Technical Approval Committee shall be three members. The Technical Approval Committee shall meet at least once in a quarter.

3. Regulatory Compliance Committee - The Regulatory Compliance Committee shall comprise such number of members as decided by the Board from time to time and shall be chaired by an Independent Director. The Compliance officer of the Company shall administer the compliance policies and procedures established by the Board and report the status to the Regulatory Compliance Committee. The quorum for the Regulatory Compliance Committee meeting shall be one-third of the total strength or 2 directors whichever is higher.
- c) The membership and quorum requirements of the Committees of the Board required to be constituted as per the directions issued by RBI under the PSS Act as amended from time to time, shall be in accordance with such directions and of any other Committees shall be as may be decided by the Board of Directors of the Company. Alternatively, the Board may authorize the Chairperson of the Company to decide the membership or reconstitution of the Committees of the Company.
- d) The Chairperson of a Committee shall either be nominated by the Board or shall be elected by the concerned Committee at its meeting.
- iv. **Scope of the Committees:**
- a) The Statutory Committees shall include the scope as provided and amended from time to time under the Act;
- b) The scope of the Committees required to be constituted as per the directions issued by RBI under the PSS Act as amended from time to time, shall be in accordance with such directions and in any other case as may be laid down or amended by the Board from time to time.

The meetings and proceedings of any Committees of the Board shall be governed by the provisions of the proceedings of the Board in so far as the same are applicable thereto and are not superseded by any regulations made by the Board.

**XI. Board Compensation:****i. Sitting fees**

Sitting fees shall be paid to the Directors other than the Managing Director / Manager/ Whole-time Director, for attending Meetings of the Board or Committees thereof as member or invitee or for any other purpose whatsoever as may be decided by the Board and the amount of such fees shall not exceed the sum as may be prescribed under the Act and Rules made thereunder as amended from time to time.

Further, sitting fees shall be paid to the advisors/external experts as may be decided by the Board, for attending Meetings of the Board or Committees thereof, the amount whereof shall not exceed the sum as may be prescribed under the Act and Rules made thereunder as amended from time to time.

**ii. Travel / stay arrangements and Reimbursement of expenses**

The Company will make necessary arrangements for travel, hotel and other incidental requirements for directors for attending meetings or for such purposes in the business connection as may be required. Subject to the provisions of the Articles of Association, the Directors may be paid all travelling, hotel and other expenses incurred by them in attending and returning from meetings or for such purposes in the business connection as may be decided by the Board from time to time.

**iii. Professional fees**

The Directors may be paid professional fees apart from the remuneration / sitting fees for the services rendered which are of professional nature and where, in the opinion of the Nomination and Remuneration Committee, the Director possesses the requisite qualification for the practice of such profession.

**iv. Remuneration to the Managing Director / Whole time Director**

The remuneration to the Managing Director / Whole time Director shall be in accordance with the provisions of the Act, Rules and Schedules made thereunder as amended from time to time and directions, if any, issued by RBI under PSS Act in this regard from time to time.

**v. Remuneration and Facilities for Chairperson**

The Chairperson shall be a Non-Executive and Independent Director and will not be remunerated except to the extent of payment of sitting fees and facilities provided for official purposes which may be decided by the Board from time to time.

**XII. Remuneration Policy for Senior Management Personnel:**

The remuneration / compensation of the Senior Management personnel will be determined based on Compensation Policy recommended by the Nomination and Remuneration Committee and approved by the Board, while keeping in mind the following guidelines:

- remuneration should be reasonable and sufficient to attract, retain and motivate the employees to be aligned with the requirements of the Company;
- average levels of compensation payable to employees in similar ranks;
- overall remuneration practices in the industry and market competitiveness;
- based on the role played by the individual in managing the given portfolio;
- alignment to regulatory requirements, etc.

The compensation structure shall comprise of the following components:-

- A. Fixed Pay: Fixed portion of compensation will comprise of Basic Pay, House Rent Allowance, Conveyance Allowance, Additional Conveyance Allowance, Leave Travel Allowance, Provident Fund and Superannuation/NPS (optional contribution).
- B. Variable Pay: Variable Pay will be payable annually based on individual's and Company's performance every year.
- C. Long Term Incentive: The purpose of the Long Term Incentive is to drive long term retention and reward employees for continued loyalty with the organization. The same will be granted on the basis of performance and tenure within the Company and will be paid post the stipulated vesting period.
- D. Other Benefits: Other benefits like Gratuity, Insurance Coverage (Mediclaime, Term Life and Personal Accident), Leave Encashment, etc will also be part of the overall remuneration package.

**XIII. Conflict of Interest:**

- i. The Board expects its Directors as well as employees to act ethically at all times and in accordance with the applicable Company's Code of Conduct and Ethics for Directors and Employees. The Directors shall also adhere to the Framework for Management of Conflict of Interest as approved by the Board and amended from time to time.
- ii. The Directors shall disclose their interest/ concern in the following manner.
  - a) Every Director / Proposed Director of the Company shall disclose his/her concern or interest in any Company or Companies or Bodies Corporate, Firms, or other Association of Individuals which shall include the shareholding, in the prescribed manner at the following intervals:
    - 1) Prior to his/her appointment/reappointment
    - 2) At the first meeting of the Board in which he participates as a Director;
    - 3) At the first meeting of the Board in every financial year;
    - 4) At the first Board Meeting held after any change in disclosure already made by Director.

Further, any change with respect to appointment or relinquishment of the office of a Director in any other Company has to be disclosed to the Company within thirty days of such change.

- b) Every Director of the Company who is in any way, whether directly or indirectly, concerned or interested in a contract or arrangement or proposed contract or arrangement entered into or to be entered into with a —
  - 1) Body corporate in which the Director of the Company or the Director of the Company in association with any other Director, holds more than two per cent shareholding of that body corporate;
  - 2) Body corporate in which the Director of the Company is a promoter;
  - 3) Body corporate in which Director of the Company is a manager;
  - 4) Body corporate in which the Director of the Company is a CEO;
  - 5) Firm in which the Director of the Company is a partner, owner;
  - 6) Any other entity in which the Director of the Company is owner or member.

shall disclose the nature of his concern or interest at the Meeting of the Board in which the contract or arrangement is discussed and shall not participate in such meeting.

In case the Director becomes interested in any transaction, contract or arrangement post the same is entered into by the Company, he/she shall intimate the Company of such concern or interest forthwith or at the first Meeting of the Board after he/she becomes so concerned or interested.

- c) All Related Party transactions as defined under the Act or Indian Accounting Standards entered into by the Company shall be in conformity with the provisions provided thereunder and the Related Party Transaction Policy of the Company as amended from time to time.
- d) All Directors shall adhere to and follow the document covering procedural aspects relating to Disclosure of Interest by the Directors / Conflict of Interest, as approved by the Board and as amended from time to time (*enclosed as Annexure II*).
- e) The Company shall disclose to the Audit Committee all the transactions/ arrangements between the Company, its associates, its employees or Directors with any of its system participants which are not in the ordinary course of business and/or not at arm's length basis.

#### **XIV. Directors' and Officers' Liability Insurance Policy (D&O Policy)**

The Company may obtain D&O Policy for providing insurance coverage to the Directors and Officers of the Company and its subsidiaries from any allegations of wrongdoings by them that may arise from the roles in the governance and administrative management of the Company done in good faith, which may also include additional coverage like public relations cover, retirement cover, etc.

#### **XV. Evaluation Mechanism:**

- i. The evaluation of the performance of the Directors, Board and its Committees may be based on the Guidelines enclosed as **Annexure III**.

- ii. Based on these Guidelines, Independent Directors at a separate meeting shall review the performance of:
  1. Non –independent Directors and the Board as a whole;
  2. The Chairperson of the Company, taking into account the views of the Executive Directors and the Non-executive Directors;
  3. and also provide ratings to the Director being evaluated.
- iii. The Independent Directors at a separate meeting shall assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary for the Board to effectively and reasonably perform their duties. All Independent Directors shall strive to attend such meeting.
- iv. The performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the director being evaluated and the Board shall provide the ratings on the basis of the evaluation Guidelines.
- v. The performance evaluation of Board Committees shall be done by the entire Board of Directors and the Board shall provide ratings on the basis of evaluation Guidelines.
- vi. On the basis of the Board/ Independent Directors' ratings on the performance evaluation, the Board shall review the overall performance of all the Directors, Committees, Board as a whole and flow of information to the Board. Alternatively, the Nomination and Remuneration Committee may at its discretion specify any other 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.
- vii. Based on the above evaluation, the Board may decide on the continuation or otherwise of the Directors. Further, the Nomination and Remuneration Committee and the Board shall recommend / decide on extension of the term of directors / chairperson based on satisfactory performance review of the concerned director.

- viii. The Chairperson of the Board or any other person authorized by the Board shall give feedback through appropriate means to each director separately, to each Committee either directly or through the chairperson(s) of the respective Committees, to the entire Board and to the management through Managing Director about the areas (if any) which have scope of improvements as identified based on the annual evaluation and shall also discuss the action plan for addressing the same and ensure that the same is implemented.
- ix. The Company shall disclose in the Board's Report, a statement indicating the manner in which formal evaluation has been made by the Board of its own performance and that of its Committees and individual Directors.
- x. Assistance of the Company Secretary may be taken, if required, for carrying out the performance evaluation or any other matter incidental thereto.
- xi. The evaluation of the performance of the Directors, Board and its Committees may be carried out on an annual basis.

**XVI. Code of Conduct and Whistle Blower Policy:**

- i. The Company shall put in place a "Code of Conduct for Directors" of the Company and also separately adopt the Code of Conduct and Ethics Policy for the employees of the Company to enable them to perform their duties effectively. Directors and Employees shall adhere to the same respectively as amended from time to time.
- ii. In pursuit of the Company's endeavor to further strengthen the mechanism in place and to instill greater confidence in the minds of the employees/ Directors of the Company to speak up, the Company shall put in place a "Whistle Blower Policy" which is also being explicitly dealt with, in the Company's Code of Conduct and Ethics Policy for employees and Code of Conduct for Directors.
- iii. Independent Directors of the Company shall also abide by the Code for Independent Directors -Schedule IV of the Act as amended from time to time.



**XVII. Board Familiarization:**

- i. The Company shall familiarize the Directors including Independent Directors with the operations of the Company, their roles, rights and responsibilities in the Company, nature of the Industry in which the Company operates and the business model of the Company.
  
- ii. The Company may, as may be required, support Directors to continually update their skills and knowledge and improve their familiarity with the Company and its business.

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