

National Stock Exchange of India Limited

Remuneration Policy

1. Introduction

National Stock Exchange of India Limited (hereinafter referred to as "NSE" 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 Contract (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.

Section 178 of the Companies Act, 2013 and SCR (SECC) Regulations, 2018 read with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) prescribe that the Nomination and Remuneration Committee shall recommend to the Board a policy relating to the remuneration of the Directors, Key Managerial Personnel and other employees. Regulation 27 of the SECC Regulation mandates that the Compensation Policy for the Key Management Personnel of Stock Exchange shall be in accordance with the norms specified by SEBI.

Accordingly, the Committee hereby recommends to the Board of Directors of NSE, a policy relating to remuneration for the Directors, Key Managerial Personnel and other employees.

2. Definitions

- i. **"Board of Directors"** or "Board" shall mean the collective body of directors of NSE;
- ii. **"Director"** means a director appointed on the Board of NSE;
- iii. **"Public Interest Director"** means an Independent Director, representing the interests of investors in securities market and who is not having any association, directly or indirectly, which in the opinion of the Securities and Exchange Board of India ("SEBI"), is in conflict with his role;
- iv. **"Independent Director"** shall have the meaning as defined under the Companies Act, 2013 read with relevant rules and the Listing Regulations;
- v. **"Key Managerial Personnel (KMP)"**
 - A. under Companies Act, 2013 means-
 - a) Managing Director or Chief Executive Officer ("CEO") or Manager;
 - b) Company Secretary,
 - c) Whole-time Director;
 - d) Chief Financial Officer; and

- e) Such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- f) such other officer as may be prescribed.

B. under SCR (SECC) Regulations, 2018:

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

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

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

- vii. **"Nomination and Remuneration Committee" or "Committee"** shall mean a Committee of Board of NSE, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013, Listing Regulations and Regulation 27 of SCR (SECC) Regulations, 2018.
- viii. **"Policy"** means this Remuneration Policy.
- ix. The term **"Senior Management"** includes such persons identified by the NRC / Board from time to time in terms of the Companies Act, 2013 and Listing Regulations.
- x. **"Whole-time director"** includes a director in the whole-time employment of the company.

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

3. Interpretation

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

4. Objectives

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

- (a) To lay down a policy for payment of remuneration to the Directors, Key Managerial Personnel, Senior Management and other employees of NSE;
- (b) To assist the Board on determination of remuneration payable to the Directors, Key Managerial Personnel, Senior Management and other employees of NSE;
- (c) To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (d) To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- (e) To ensure that the remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

5. Factors to be considered under the Remuneration Policy:

- a. financial condition / health of the Company
- b. average levels of compensation payable to employees in similar ranks,
- c. shall not contain any provisions regarding incentives to take excessive risks over the short term,
- d. revenues, net profit of the Company,
- e. comparable to the industry standards,
- f. role and responsibilities of the Key Management Personnel,
- g. periodic review

6. Remuneration of Directors, KMP and Senior Management:

- i. The remuneration / compensation / commission, etc. to be paid to Directors will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the approval of the shareholders of the Company, Central Government and SEBI, wherever required. It shall be as per the statutory provisions of the Companies Act, 2013 read with the rules made thereunder for the time being in force. The requirements, if any, prescribed by SEBI from time to time in this regard shall be followed while determining the compensation payable to Directors, KMP and Senior Management.
- ii. The remuneration / compensation / commission to be paid to the KMP shall be approved by the Committee. For KMP's under Companies Act, 2013, it shall be as per the statutory provisions of the Companies Act, 2013 read with the rules made thereunder for the time being in force. For KMP's under SCR (SECC) Regulations, 2018, the requirements prescribed by SEBI from time to time in this regard shall be followed while determining the compensation payable to them, which shall be determined by the Committee. For those Senior Management, compensation payable shall be recommended by the Committee to the Board for its approval.
- iii. The Committee shall lay down compensation policy of the Company from time to time in accordance with market practice and the Company philosophy subject to SEBI norms, as may be applicable.
- iv. The annual compensation shall consist of a fixed component and a variable component. The variable component shall not exceed one third of the total pay in respect of KMPs under SCR (SECC) Regulations, 2018.
- v. ESOPs and other equity linked instruments shall not be offered or provided as part of the compensation for the Key Management Personnel in terms of SCR (SECC) Regulations, 2018.

The following factors shall be considered while fixing compensation package for the employees: performance, potential, qualification, experience, expertise, role, responsibilities, level of employees, inflation, attraction and retention of talent, market benchmark, size and complexities of operation, financial condition and health of the Company, etc.
- vi. Incentive to take excessive risks over the short term shall be discouraged.

7. Remuneration criteria for the board

For Executive Directors:

a) Base Compensation (fixed salaries)

- Must be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities, which may include salary, allowances and other statutory/non-statutory benefits which are normal part of remuneration package in line with market practices.

b) Variable salary:

- The Company may structure any portion of remuneration as variable in the form of commission/bonus or otherwise, linked to rewards on the achievement of Company's and individual performance, fulfillment of specified improvement targets or attainment of certain financial or other objectives set by the Board. The amount payable shall be determined by the Committee/Board, based on performance against pre-determined financial and non-financial metrics.
- As per Section 197 of the Companies Act, 2013, the total managerial remuneration payable by the Company to its directors, including Managing Director and Whole Time Director, and its Manager in respect of any financial year shall not exceed 11% of net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act except that the Remuneration shall not be deducted from the gross profits.
- The Company may authorize the payment of remuneration upto 5% of the net profits of the Company to its any one Managing Director/Whole Time Director/Manager and 10% percent in case of more than one such official. The Company can exceed these limits only by passing a special resolution at the general meeting.
- The Company with the approval of the shareholders may authorize the payment of remuneration exceeding 11% of the net profits of the company, subject to the provisions of Schedule V of the Act.
- The net profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Act.
- The Whole-time Director/Executive Director shall not be entitled to sitting fees as per the provisions of the Act.
- The Whole-time Director/Executive Director shall be governed by HR policies as applicable to the other employees of the Company.

For Non- Executive Directors/ Independent Directors/ Public Interest Directors:

- The Non-executive/Independent Directors/ Public Interest Directors of the Company are entitled to sitting fees for attending the meetings of the Board or Committees thereof.
- All fees / compensation, if any paid to non-executive directors, including Independent Directors, shall be fixed by the Board of Directors within the limits as prescribed under the Act and shall require prior approval of shareholders, however, the requirement of obtaining prior approval of shareholders shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Act.
- The reimbursement of expenses for attending the Board and other Committee meetings including travelling, boarding and lodging expenses, shall be paid by the Company.
- Commission may be paid to the Non- Executive Directors/Independent Directors/Public Interest Directors within the limits prescribed under the Act i.e. not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Act and with the prior approval of the Shareholders of the Company. The Board shall however, have the authority to determine the manner and proportion in which the amount be distributed amongst the Non- Executive Directors and Independent Directors.
- Shareholders approval by way of special resolution is required for the following:
 - a. Appointment of a person who has attained the age of 75 years or continues to be appointed as a Non-Executive Director
 - b. Annual remuneration payable to single non-executive director exceeds 50% of the total annual remuneration payable to all Non-Executive Directors

For Key Managerial Personnel (KMP) and Senior Management

- The remuneration of the Key Managerial Personnel and Senior Management shall be determined, after considering the following key factors:
 - a) The level and composition of remuneration that should be reasonable and sufficient to attract, retain and motivate directors/executives and should be in line with the industry practice aimed at promoting the short term and long term interests and performance of the company.
 - b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

- c) Remuneration will involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

The appointment along with remuneration of KMP under Companies Act, 2013 shall be approved by the NRC and the Board. The appointment and remuneration of KMP's under SCR (SECC) Regulations, 2018 shall be approved by the NRC. The appointment and remuneration of Senior Management as identified by NRC / Board from time to time shall be approved and recommended by the NRC for approval of the Board. Any subsequent increments to the Senior Management under Companies Act, 2013, Listing Regulations and MD & CEO direct reports shall be approved and recommended by the NRC and Board.

- The variable pay component shall not exceed 1/3rd of total pay and 50% of the variable pay in respect of the KMPs under SCR (SECC) Regulations, 2018 in respect of each financial year shall be paid to the employee concerned on completion of 3 years from the last date of the respective financial year. However, as a malus arrangement, the said amount or any part thereof in respect of a financial year may be prevented from being paid by the compensation committee, after providing an opportunity of being heard to the concerned KMP, in case of fraud, misfeasance, misappropriation or excessive risk taking by the concerned employee intentionally causing financial loss to the company.
- The KMPs under SCR (SECC) Regulations, 2018 are also covered under a claw back arrangement under which the compensation committee may require an employee to return previously paid or vested remuneration partially or fully, after providing an opportunity of being heard to the concerned KMP, under the following circumstances namely fraud, misfeasance, misappropriation and intentionally causing financial loss to the company. The claw back is exercisable within a period of three years from the end of financial year in which the remuneration was paid or vested. The claw back is not exercisable in respect of retiral benefits accrued to KMPs.

8. Reporting to the Board

The Chairman of the Committee shall report to the Board on material matters arising at the Committee meetings and, where applicable, shall present the Committee's recommendations to the Board for its approval.

9. Amendment

Any amendment or modification in the Companies Act, 2013, SCRA, 1956, SCR (SECC) Regulations, 2018, Rules, Regulations and directives issued under the respective statutes (which include Listing Regulations) and any other applicable

provision relating to the remuneration / compensation / commission, etc. shall automatically be applicable to this Policy.

10. Disclosure

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

11. Review of the policy

This Policy shall be reviewed by the Nomination and Remuneration committee periodically, presently once in 2 years, unless an earlier review is required to ensure that it meets the regulatory requirements or latest industry practice or both.