

NOMINATION AND REMUNERATION POLICY

The Board of Directors (“Board”) of CDSL Commodity Repository Limited (“Company”) constituted the Nomination and Remuneration Committee (“Committee”) at the meeting held on 6th June, 2017

In compliance with the requirements set out under Section 178 of the Companies Act, 2013 (“Companies Act”), Guidelines on Corporate Governance for the Repositories registered for Creation and Management of Electronic Negotiable Warehouse Receipts (“WDRA Guidelines”) the Committee has formulated this Nomination and Remuneration Policy (“Policy”) in order to set our principles, parameters and governance framework of the remuneration for Directors, Managing Director & CEO, Key Managerial Personnel and employees of the Company.

While formulating this Policy, the Committee has considered the factors laid down under Section 178(4) of the Companies Act, which are as under:

- (i) 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;
- (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iii) remuneration to Directors and 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.

This Policy will assist the Board to fulfil their responsibility by way of recommendation from the Nomination and Remuneration/Compensation Committee of the Board towards attracting, retaining, promoting the aforesaid personnel with respect to their remuneration in line with the corporate and individual performance.

This Policy also rely on the service rules, resolutions approved by the Board or Committee, internal controls and guidelines framed by the Company which were earlier approved by the Board from time to time.

The Nomination and Remuneration/Compensation Committee of the Board shall evaluate the remuneration from time to time to recommend to the Board depending upon the profitability and financial performance by the Company for each financial year and in further subject to the thresholds prescribed by the provisions of applicable laws including the provisions of the Companies Act, if any.

1. DEFINITIONS

1.1. “Committee” means the Nomination and Remuneration Committee constituted by the Board as on 6th June, 2017 and as reconstituted from time to time.

1.2. “Director” means a director appointed on the Board of Directors of the Company.

1.3. .

“Guidelines” means the Guidelines on Corporate Governance for the Repositories registered

for Creation and Management of Electronic Negotiable Warehouse Receipts, as amended from time to time, read along with rules, circulars and notifications as may be issued by WDRA thereunder,

- 1.4. "Independent Director" means a Director representing the interests of stakeholders in who is not having any association, directly or indirectly, with the shareholders, which in the opinion of the Board, is in conflict with his role as a Director.
- 1.5. "Key Managerial Personnel" in relation to a company means, as defined under section 2(51) of the Companies Act:
 - (i) the Chief Executive Officer or the managing director or manager;
 - (ii) the Company Secretary;
 - (iii) whole-time director;
 - (iv) the Chief Financial Officer;
 - (v) any other person as may be prescribed
- 1.6. "Managing Director" means a wholetime director appointed by the Board of Directors with designation as MD & CEO with prior approval of WDRA.
- 1.7. "Shareholder Director" means a Director who represents the interest of shareholders, and elected or nominated by such shareholders who are not trading members or clearing members, as the case may be, or their associates and agents

Explanation:

- (1) The managing director shall be included in the category of shareholder directors;
- 1.8. "WDRA" means Warehousing Development and Regulatory Authority.

Unless the context otherwise requires, words and expressions used in this Policy and not defined, shall have the meanings ascribed to them under the Companies Act, WDRA Guidelines and Regulations as may be amended from time to time.

2. **ROLE**

The Committee constituted by the Board leads the process for appointment and remuneration of Directors and Key Managerial Personnel in accordance with the requirements of the Companies Act, WDRA Guidelines, regulations, etc. All the **Board** appointments are based on merits. The role of the Committee identified by the Board are as follows:

- (i) identification and nomination of suitable candidates for the Board's approval in relation to appointment/reappointment and removal of Directors and Key Managerial Personnel after having regard to the norms set out under the Companies Act, WDRA guidelines, regulations and circulars and other applicable regulations;
- (ii) making recommendations to the Board in relation to the remuneration payable to the Directors and Key Managerial Personnel;
- (iii) formulating criteria for evaluation of performance of the Board and Independent Directors;
- (iv) devising a policy on Board diversity;
- (v) laying down principles for remuneration of employees linked to their effort, performance and achievement relating to the Company's goals;
- (vi) developing a succession plan to ensure the systematic and long-term development of individuals in the senior management level to replace when the need arises due to deaths, disabilities, retirements, and other unexpected occurrence and to

- regularly review the plan; and
- (vii) Carrying out such other functions as may be specified by the Board from time to time.

3. CONSTITUTION OF THE COMMITTEE

- 3.1 The Nomination and Remuneration Committee shall comprise of a majority of independent directors and shall be chaired by an Independent Director.
- 3.2 The Board shall reconstitute the Committee as and when required to comply with the provisions of the Companies Act and applicable statutory requirements, including the Guidelines and Regulations of WDRA.
- 3.3 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. The Committee may invite such executives, as it considers appropriate, to be present at meetings of the Committee.

4. GENERAL PRICIPLES ON APPOINTMENT, REAPPOINTMENT, REMOVAL AND REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

4.1. Appointment Criteria and Qualifications

- (i) The Committee, shall apply a due diligence process to determine the suitability of every person who is being considered for being appointed or re-appointed as a Director or a Key Managerial Personnel on the basis of his educational qualification, experience and track record. The Committee has the discretion to decide whether qualifications, expertise and experience possessed by a person are satisfactory for the concerned position. Further, the Committee shall also take into consideration any other criteria for appointment, as may be set out in the Company's internal policies.
- (ii) Characteristics expected of all Directors include integrity, high personal and professional ethics, sound business judgment, ability to participate constructively in deliberations and willingness to exercise authority in a collective manner. While all appointments to the Board are made on merit, the diversity of Board in aggregate will be of immense strength to the Board in guiding the Company successfully through various geographies. In reviewing and determining the Board composition, the Committee will consider the merit, skill, experience, gender and other diversity of the Board. In determining whether to recommend a Director for re-election/reappointment, the Committee also considers the Director's past attendance at meetings, participation in meetings and contributions to the activities of the Board, and the results of the most recent Board self-evaluation.
- (iii) Any appointment and re-appointment of a Director and Key Managerial Personnel of the Company shall be subject to the approval of the Committee.

4.2. Removal

The Committee may recommend to the Board, with reasons recorded in writing, removal of Director and Key Managerial Personnel in accordance with the Companies Act or any other applicable act, rules and regulations, including for contractual breaches. Such removal shall be subject to the provisions and compliance of applicable laws, rules and regulations.

4.3. Remuneration

- (i) The remuneration / compensation / commission etc. shall be subject to the approval of the shareholders of the Company and/or Central Government, wherever required under applicable law. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the shareholders, if applicable.
- (ii) The remuneration / compensation / commission etc. to the Directors and Key Managerial Personnel of the Company will be determined by the Committee and recommended to the Board for approval, while keeping in mind the following guidelines:
 - (a) overall remuneration should be reflective of the size of the Company, financial condition / health of the Company, revenues and profit of the Company, complexity of the sector / industry / company's operations and the Company's capacity to pay the remuneration;
 - (b) remuneration should be reasonable and sufficient to attract, retain and motivate the employees to be aligned with the requirements of the Company (taking in consideration the challenges faced by the Company and its future growth imperatives);
 - (c) overall remuneration practices should be consistent with industry standards;
 - (d) market competitive;
 - (e) average levels of compensation payable to employees in similar ranks;
 - (f) should not contain any provisions regarding incentives to take excessive risks over the short term;
 - (g) based on the role played by the individual in managing the Company, including responding to challenges faced by the Company;
 - (h) periodic review; and
 - (i) aligned to regulatory requirements.
- (iii) Within the parameters prescribed by law, the payment of sitting fees and commission will be recommended by the Committee and approved by the Board. The Committee will recommend to the Board, the quantum of commission for each Director based upon the outcome of the evaluation process which is driven by various factors including attendance and time spent in the Board and committee meetings, individual contributions at the meetings and contributions made by Directors other than in meetings.
- (iv) In addition to the sitting fees and commission, the Company may pay to a Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the Company. This could include reasonable expenditure incurred by the Director for attending Board/ Board

committee meetings, general meetings, court convened meetings, meetings with shareholders/creditors/management, site visits, induction and training (organized by the Company for Directors) and in obtaining professional advice from independent advisors in furtherance of his/her duties as a director.

5. APPOINTMENT, TENURE, RETIREMENT AND REMUNERATION OF INDEPENDENT DIRECTORS

5.1. Appointment

Eligibility:

- (i) The Independent Director shall fulfil the criteria of fit and proper person at all times.
- (ii) The Independent Director shall not be a repository participant or their associate or agent at all times
- (iii) The Independent Director shall not be eligible to be appointed as Director, if he is a director of a Repository participant or their associates and agents.

Criteria:

- (i) The number of Independent Directors on the Board shall be preferably not lesser than the number of the Shareholder Directors of the Company.
- (ii) The Independent Directors shall be appointed with the approval of WDRA.
- (iii) The Board of the Company shall recommend to the WDRA at least two names for every vacancy of Independent Directors to be filled.
- (iv) While deciding to select a particular person as an independent Director, the Selection Committee shall also take into account the following factors:
 - (a) Qualification in the area of law, finance, banking, insurance, accounting, economics, management, administration, agriculture, biological science or any other area relevant to the financial or commodity markets.
 - (b) At least one person may 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 organizations or person who have retired from such positions.
- (v) Persons who are likely to have interested positions in commercial contracts and financial affairs of repository may be excluded. Also, persons who are regular traders/speculators in the market or are Independent Director in the Board of the promoter entity of the Repository, shall be excluded
- (vi) For extension of the term of the Independent Director or appointment of a New Independent Director, the Company shall apply to WDRA at least two months prior to the expiry of the term. The application for extension of term of the Independent

Director shall be accompanied with, his/her attendance details on meetings of various committees, performance review and the reasons for extension of term.

5.2. Tenure

Independent Directors shall be appointed for a term of three years, extendable by another term of three years (maximum two terms), subject to performance review. Provided further that a person may be appointed as an Independent Director for a maximum of three terms, subject to a maximum age limit of seventy five years:

5.3. Retirement

The Independent Director shall retire as per the applicable provisions of the Companies Act, WDRA Guidelines and the prevailing policy of the Company subject to a maximum age limit of seventy five years.

5.4. Remuneration

- (i) Independent Director shall be remunerated only by way of payment of sitting fees as admissible to independent directors in the Companies Act, 2013.
- (ii) Independent Director shall be only paid sitting fees for attending the meetings of the Board and of committees of which they may be members) within regulatory limits. Quantum of sitting fees may be subject to review on a periodic basis, as required.

6. **APPOINTMENT, REAPPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF MANAGING DIRECTOR AND CEO**

6.1. Appointment

Eligibility

- (i) The Managing Director shall fulfil the criteria of fit and proper person at all times.
- (ii) The Managing Director shall not be a repository participant or their associate or agent at all times.
- (iii) The Managing Director shall not be eligible to be appointed as director, if he is a director of a repository participant or their associates and agents.

Criteria

- (i) The appointment, renewal of appointment and termination of service of the Managing Director and CEO of the Company shall be subject to prior approval of WDRA.
- (ii) The Managing Director shall be included in the category of Shareholder Director.
- (iii) The Managing Director and CEO of the Company shall not:

- (a) be a shareholder or an associate of a shareholder of a repository or a shareholder of an associate of a repository, as the case may be;
 - (b) be a repository participant, or his associate and agent, or shareholder of a repository participant or a shareholder of an associate and agent of a repository participant; and
 - (c) hold any position concurrently in the subsidiary of a repository or in any entity associated with a repository.
- (iv) The Company shall subject to the guidelines issued by the WDRA from time to time, determine the qualification, manner of appointment, terms and conditions of appointment and other procedural formalities relating to the selection/ appointment of the Managing Director.
- (v) The Nomination and Remuneration Committee shall be responsible for selection of Managing Director. The Managing Director shall be selected through open advertisement in all editions of atleast one national daily from amongst persons qualified in the fields of capital market/ finance/ Banking/Insurance/ management/Agriculture and possessing sufficient experience.
- (vi) The Company shall submit a panel of two names for approval of the WDRA along with the report of the Nomination and Remuneration Committee, Minutes of the meeting of the Board where these two names have been recommended, confirmation of the Company about their meeting the fit and proper criteria and a declaration that they are not associated with any RP as specified in these guidelines.
- (vii) In case a vacancy of Managing Director arises due to unforeseen reasons Company shall forward to the WDRA within a period of 10 days, a panel of two names from among the existing Directors to function as interim Managing Director. However, the process of appointment of new Managing Director shall be completed within a period of 60 days of fall of a vacancy.
- (viii) Procedure for Appointment of Managing Director and CEO
 - (a) For the appointment of the Managing Director and CEO, the Board shall constitute a "Selection Committee". The following shall be the members of the Selection Committee
 - 1. Chairman of the Board,
 - 2. Chairman of the NRCC,
 - 3. One Independent Director and
 - 4. Two external persons of eminence either in the field of management, academics, public service, etc. as appointed by the Board
 - (b) The selection process for the position of Managing Director and CEO, unless reappointed, shall start at least 6 months prior to the date of end of term of the incumbent.
 - (c) The Selection Committee shall have regard to the following guidelines for appointment of Managing Director and CEO:
 - 1. In case of filling of vacancy by way of appointment, an open advertisement be given in all editions of at least one national daily.
 - 2. The qualification for the incumbent should be commensurate with the position.
 - 3. The committee shall ascertain integrity, expertise, track record, high

personal and professional ethics, sound business judgements, etc. and fit and proper person criteria as per D & P Regulations.

4. The incumbent should have at least 20 years of work experience from capital market/financial/ commodities markets out of which latest 5 years' experience should be at the Board level management position.
5. The incumbent should be of at least 45 years and not more than 55 years of age. However the Selection Committee may relax the age limit either side in deserving cases.
6. After getting applications, the Selection Committee shall scrutinise applications and shortlist for interview. The Selection Committee shall call shortlisted candidates for interview and on that basis select suitable candidate/s.
7. The selected candidate/s shall be recommended to the NRCC for its views and if thought fit NRC shall recommend it to the Board for appointment.

6.2. The Selection Committee shall have discretion to lay down its own procedural formalities / process of selection of Managing Director and CEO.

6.3. Tenure

- (i) The appointment of the Managing Director shall be for a term not exceeding five years.
- (ii) Post the completion of first term as Managing Director, the Company shall conduct the appointment process afresh.
- (iii) A person may be appointed as 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.

6.4. Removal

- (i) The Managing Director & CEO shall be liable for removal or termination of services by the Board with the prior approval of WDRA for failure to give effect to the directions, guidelines and other orders issued by WDRA, or the rules, the articles of association, bye-laws and regulations of the Company.
- (ii) WDRA may *suo motu* remove or terminate the appointment of the Managing Director & CEO, if deemed fit in the interest of the Warehousing ecosystem. Provided that the Managing Director & CEO shall not be removed unless he has been given a reasonable opportunity of being heard.

6.5. Retirement

The Managing Director & CEO shall retire as per the applicable provisions of the Companies Act and the prevailing policy of the Company subject to a maximum age limit of sixty five years.

6.6. Remuneration

- (i) The compensation payable to the Managing Director shall be with the prior information to WDRA.

- (ii) The remuneration and commission to be paid to the Managing Director & CEO shall be recommended by the Committee to the Board and governed by the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act.
- (iii) The remuneration / compensation / commission etc. to the Management Director & CEO shall be in accordance with Section 197 and Schedule V of the Companies Act, read with the rules made thereunder.

7. APPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF SHAREHOLDER DIRECTOR

7.1. Appointment Criteria and Qualifications

- (i) The Shareholder Director shall fulfil the criteria of fit and proper person at all times.
- (ii) The Shareholder Director shall not be a repository participant or their associate or agent at all times
- (iii) The Shareholder Director shall not be eligible to be appointed as director, if he is a director of a repository participant or their associates and agents.
- (iv) The names of persons to be appointed as Shareholder Directors shall first be approved by the governing board of the Repository, followed by shareholders' approval before submitting the same to WDRA for approval.
- (v) The manner of election, appointment, tenure, resignation, vacation, etc., of a shareholder director shall be governed by the Companies Act, 2013, save as otherwise specifically provided specifically provided under these Guidelines or the circulars issued thereunder.

7.2. Tenure

The Committee may prescribe the tenure for appointment of a Shareholder Director in accordance with the provisions of applicable laws.

7.3. Retirement

The Shareholder Director shall retire as per the applicable provisions of the Companies Act and the prevailing policy of the Company. The Board will have the discretion to retain the Shareholder Director in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

7.4. Remuneration

The remuneration and commission to be paid to the Shareholder Directors shall be recommended by the Committee to the Board and governed by the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act.

8. APPOINTMENT, REAPPOINTMENT, TENURE, REMOVAL, RETIREMENT AND REMUNERATION OF KEY MANAGERIAL PERSONNEL

8.1. Appointment Criteria and Qualifications

Any appointment and re-appointment of a Key Managerial Personnel of the Company shall be subject to the approval of the Committee.

8.2. Tenure

The tenure of the Key Managerial Personnel other than MD & CEO shall be for such period as may be decided by the Committee in accordance with the internal policies of the Company.

8.3. Retirement

The Key Managerial Personnel shall retire as per the applicable provisions of the Companies Act and the prevailing policy of the Company. The Board will have the discretion to retain the Key Managerial Personnel in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

8.4. Remuneration of Key Managerial Personnel

- (i) The remuneration and commission to be paid to the Key Managerial Personnel shall be recommended by the Committee to the Board and governed by the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act.
- (ii) The Nomination and Remuneration Committee shall determine the compensation of Key Managerial Personnel in terms of a compensation policy.

The compensation policy shall be determined by Nomination and Remuneration Committee.

9. **PERFORMANCE EVALUATION**

The objective of performance evaluation is to ensure individual directors of the Company (“**Directors**”) and the Board as a whole, work efficiently and effectively in achieving their functions, for the benefit of the Company and its stakeholders. Accordingly, the Policy provides guidance on evaluation of the performance, on an annual basis, of: (i) individual Directors (including the Chairperson, independent directors) ; (ii) the Board as a whole; and (iii) various committees of the Board (“Board Committees”).

Manner of Evaluation:

Evaluation of Individual Directors

- 9.1 Performance of individual Directors of the Company (including the Chairperson and Independent Directors) shall be evaluated, on an annual basis, by: (i) the Board as a whole (excluding the Director being evaluated); and (ii) the Nomination and Remuneration Committee.

- 9.2 In carrying out its evaluation, the Board and/ or the Nomination and Remuneration Committee, shall keep in mind the evaluation parameters set out in: (i) Annexure 1 with respect to all Directors other than the Independent Directors; (ii) Annexure 2 with respect to the Independent Directors; and (iii) Annexure 3 with respect to the Chairperson of the Company.
- 9.3 While evaluating the performance of individual Directors, the Nomination and Remuneration Committee shall always consider the appropriate benchmarks set as per industry standards, the performance of the individual Director, the performance of the Company and the role of the individual Director within the Company. Further, the Nomination and Remuneration Committee shall determine whether to extend or continue the term of appointment of each Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- 9.4 In addition, the Independent Directors shall hold a meeting at least once in any given year, without the presence of the non-Independent Directors of the Company, to review the performance of: (i) such non-Independent Directors in accordance with the evaluation parameters set out in the annexures; and (ii) the Chairperson of the Company, taking into account the views of executive Directors and non-executive Directors, and the evaluation parameters set out in Annexures;. All Independent Directors shall strive to attend such meeting.

Evaluation of the Board

- 9.5 The Board shall, on an annual basis, evaluate its own performance keeping in mind the evaluation parameters set out in Annexure 4.
- 9.6 In addition, the Independent Directors, in the meeting referred above, without the presence of the non-Independent Directors of the Company, shall (i) review the performance of the Board as a whole in accordance with the evaluation parameters set out in Annexure 4; and assess the quality, quantity and timelines of flow of information between the management of the Company and the Board that is necessary for the Board to effectively and reasonably perform its duties.

Evaluation of the Board Committees

- 9.7 The Board shall, on an annual basis, evaluate the performance of each Board Committee as per the evaluation parameters set out in Annexure 5.
- 9.8 In addition, the Independent Directors, in the meeting referred to in paragraph 3.4 above, without the presence of the non-Independent Directors of the Company, shall (i) review the performance of the Committees as a whole in accordance with the evaluation parameters set out in Annexure 5; and (ii) assess the quality, quantity and timelines of flow of information between the management of the Company and the Board Committees that is necessary for the Board to effectively and reasonably perform its duties.

Criteria for Evaluation

- 9.9 The criteria for evaluation are laid out in the relevant Annexures. These include quantitative questions along with an option to provide qualitative comments. Each of the questions have the following five options:

Strongly disagree	Disagree	No opinion	Agree	Strongly Agree
1	2	3	4	5

Feedback

6.10 The Chairman or any person suitably appointed by the Board shall give [a written assessment/ an oral feedback] to each Director separately; the entire Board; and each Board Committees. Provided in case the members are not comfortable with open individual assessment, provision for confidentiality may be made where possible.

Action plan

- 6.11 Once responses from all the Directors have been received, a summary of results of the Board evaluation will be placed before the Nomination and Remuneration Committee. Based on the feedback from each member, an average rating for each question will be obtained. All questions with average rating of 4.5 or less have been identified as areas for reflection and action planning. These are not necessarily the problem areas but definitely the areas where processes/ practices can be improved to meet the best governance standards and the Board may devise a plan to address such identified areas (“**Action Plan**”). While identifying the areas for reflections, proposed actions should be suggested for consideration of the evaluation panel.
- 6.12 The Action Plan should carry in detail the following:
- (i) The nature of actions, including training and skill building, required to be undertaken to address the identified areas.
 - (ii) Timeline within which the actions detailed in the Action Plan shall be completed.
 - (iii) Persons responsible for the implementation of the Action Plan.
 - (iv) Resources required to achieve the objectives set out in the Action Plan.
- The Board must review the actions set out in the Action Plan within a specific time period.

10. POLICY IMPLEMENTATION

The Committee is responsible for recommending the nomination and the remuneration policy to the Board. The Board is responsible for approving and overseeing implementation of the nomination and the remuneration policy.

11. MODIFICATIONS & REVIEW OF THE POLICY

In case of any subsequent changes in the Companies Act or any other regulations which makes any of the provisions in the Policy inconsistent with the Companies Act or regulations, then the provision of the Companies Act or regulations would prevail over the Policy and the provisions of the Policy would be modified in due course to make it consistent with law.

The Board (including the Nomination and Remuneration/Compensation Committee of the Board) may amend the policy from time to time depending upon the requirements of the provisions of the Companies Act and as per guidelines, circulars and Regulations issued by WDRA.