

NOMINATION AND REMUNERATION POLICY

I. Introduction

This Policy applies to the Board of Directors, Key Managerial Personnel and Senior Management Personnel of Metropolitan Clearing Corporation of India Limited (hereinafter referred to as “Clearing Corporation”).

The policy envisages the framework for nomination, remuneration and evaluation of Board of Directors, Key Managerial Personnel, Senior Management Personnel and Employees in accordance with provisions of Section 178(4) of Companies Act, 2013, (‘the Act’) including rules thereof, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and Regulation 27 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2012.

The Company aims to achieve balance of merits, experience and skills amongst its Directors, Key Managerial Personnel, Senior Management Personnel and Employees. compensation governance practices, which are set out in this Policy, are part of the overall corporate governance structure. They should be read in conjunction with the other policies and guidelines of Clearing Corporation. The policy adheres to the compensation principles stipulated by Securities and Exchange Board of India (SEBI) and other applicable laws.

II. Objective

The objective of the policy is to:

- support performance that is based on merit, and differentiate and reward excellent performance, both in the short and long term, and to recognize the values of the Clearing Corporation
- attract and retain personnel, and motivate them to achieve organizational goals with integrity fairness and ethical behaviour.
- balance the mix of Fixed Compensation and Variable Compensation to appropriately reflect the value and responsibility of the role performed day to day and to influence appropriate behaviors and actions.
- promote, effective risk management practice and compliance.
- foster teamwork and collaboration.
- take into account the long-term performance of the Exchange, in order to create sustainable value for the shareholders.

III. Definitions

- i. "The Company" means Metropolitan Clearing Corporation of India Limited.
- ii. "Board" means Board of Directors of the Company.
- iii. "Committee" means Nomination cum Remuneration cum Compensation Committee of the Company as constituted or re-constituted by the Board, from time to time.
- iv. "Key Managerial Personnel" (KMP) means:
 - Chief Executive Officer or the Managing Director or the Manager;
 - Company Secretary;
 - Whole-Time Director;
 - Chief Financial Officer; and
 - Other officers as prescribed by SECC Regulations.
- v. "Senior Management Personnel" (SMP) SMP 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.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

IV. Appointment and removal of Director, KMP and SMP

- The Committee shall identify, ascertain the integrity, qualification, expertise, experience of a person and recommend to the Board for his / her nomination to SEBI as a Public Interest Director.
- The Committee shall identify, ascertain the integrity, qualification, expertise, experience of a person and recommend to the Board for his / her / appointment as a KMP/SMP of the Company.
- The Director, KMP and SMP shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013 and rules made thereunder, SECC Regulations and SEBI(Listing Obligations and Disclosure Requirements)Regulations, 2015 or any other enactment for the time being in force.
- The Company should ensure that the person so appointed as Director, KMP and SMP shall not be disqualified under the Companies Act, 2013 and rules made thereunder, SECC Regulations, Listing Agreement or any other enactment for the time being in force.
- The Committee may recommend to the Board for removal of a Director on account of any disqualification mentioned in the SECC Regulations, Companies Act, 2013,

rules made thereunder or under any other applicable Act, rules and regulations or any other reasonable ground. The Committee may also recommend to the Board for removal of KMP or SMP subject to the provisions and compliance of the applicable Act, rules and regulations.

V. Factors Determining Remuneration

The Committee shall consider the following conditions, while deciding the Compensation payable to the Director / KMP / SMP / Employees:

- Financial condition / health of the Clearing Corporation including revenues, net profits and other relevant financial parameters, if any
- Average levels of compensation payable to KMP in similar ranks in the industry and industry standards
- Absence of provisions tending to incentivize taking excessive risks over the short run.
- Role and responsibilities of the Director / KMP / SMP / Employees.
- Performance of the KMP.
- Necessity to differentiate and reward excellent performance, both in the short and long term.
- Attract and retain KMP / SMP / Employees and motivate them to achieve results with integrity and fairness
- Encourage teamwork and collaboration across the KMP / SMP / Employees.
- Foster growth for them in the Exchange.
- Curb excessive risk taking and short term profit oriented behaviour through Malus and Clawbacks clauses.
- Provides equal opportunity to all.
- Adherence to the norms stipulated by SEBI and other regulators.

VI. Compensation Structure

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

A. DIRECTORS

I. Executive Directors:

The compensation and the terms and conditions of the Executive Directors shall be approved by the Committee/Board and placed before SEBI for approval. Once approved the same is then placed before the shareholders for approval. The Terms and conditions of the compensation of the Managing Director shall not be changed without prior approval of the Remuneration Committee/Board and SEBI.

i. Fixed/ Basic Compensation:

Fixed compensation, which is most commonly paid in the form of base salary, is based on the role and experience of the individual, his or her individual sustained long-term performance, and market positioning. Base salary is set at levels designed to retain Executive Director throughout business cycles.

ii. Variable Compensation:

The level of variable compensation granted, referred to as a discretionary variable incentive which is factored in the Compensation of the Executive Director, is placed before SEBI for approval. Once approved the same is then placed before the shareholders for approval and may be zero in cases as deemed fit by SEBI. The variable pay shall not exceed one-third of total pay.

iii. Deferred Compensation

50% of variable compensation is deferred to reflect the nature of the Clearing Corporation business, its risk profile, and the desire to have compensation plans that are based on sustainable performance criteria, which are enlisted in the KMP's KPC (Key Performance Criteria) /KRA (Key Result Area). Deferred compensation is subject to vesting period of three years.

II. NON EXECUTIVE DIRECTORS:

The Company shall issue a letter of appointment to every Non-Executive Independent Director /Public Interest Director/ Shareholder Director.

The Non-Executive Directors would be paid for Board Meetings and any Committee Meetings attended by the Director. Different amount of sitting fees may be paid for different types of meetings within limits as prescribed under the Act.

B. KEY MANAGERIAL PERSONNEL

The remuneration components payable to KMP may be:

i. Fixed/ Basic Compensation

Fixed compensation, which is most commonly paid in the form of base salary, is based on the role and experience of the individual, his or her individual sustained long-term performance, and market positioning. Base salary is set at levels designed to retain KMP throughout business cycles.

ii. Variable Compensation:

The level of variable compensation granted, referred to as a discretionary variable incentive which is factored in the Compensation of the KMP, is entirely at the discretion of the Compensation Committee/Board, and may be zero in cases as deemed fit by the Compensation Committee/Board. The Compensation Committee/Board makes decisions on variable compensation based on absolute and relative performance of the Clearing Corporation and its Divisions, as well as pre-agreed individual performance objectives of KMP's, market positioning, and a variety of other factors. The variable pay shall not exceed one-third of total pay.

iii. Deferred Compensation:

50% of variable compensation is deferred to reflect the nature of the Clearing Corporation business, its risk profile, and the desire to have compensation plans that are based on sustainable performance criteria, which are enlisted in the KMP's KPC (Key Performance Criteria) /KRA (Key Result Area). Deferred compensation is subject to vesting period of three years.

iv. Prohibition on ESOPs and Equity Linked Instruments:

ESOPs and Equity Linked Instruments shall not be issued as part of compensation of KMPs from the effective date of this Policy. The ESOPs that have already been granted to KMPs before coming into effect of the SEBI Circular CIR/MRD/DSA/33/2012 dated December 13, 2012 shall not be exercised by the respective KMPs in contravention of the regulations/guidelines issued by SEBI from time to time.

C. SENIOR MANAGEMENT PERSONNEL & EMPLOYEES

Remuneration to senior management and employees comprises of fixed component only. The same is reviewed annually based on the performance appraisal ratings.

VII. Malus and Clawback Arrangement

The compensation arrangement shall contain a general provision of Malus and Clawback that enables the Clearing Corporation to cancel outstanding Deferred compensation or a part of the Total Compensation if the employees engages in activities that results in, or have the potential to result in, material harm financial, reputational, or any other cause which may be detrimental of the interests to the Clearing Corporation.

Malus and Clawback are defined in SEBI circular CIR/MRD/DSA/33/2012 dated December 13, 2012, as follows:

1. A Malus arrangement permits the Exchange to prevent vesting of all or part of the amount of a deferred remuneration.
2. A Clawback is a contractual agreement between the employee and the Clearing Corporation in which the employee agrees to return previously paid or vested remuneration to the Exchange under certain circumstances.
3. As defined above, Malus shall be only applicable to all or part of the deferred and as yet unvested Compensation if any and Clawback shall be applicable to the previously paid or vested compensation. The Compensation Committee or the Board shall on occurrence of the following events attributable directly or indirectly to the particular KMP, either singly or jointly with other persons, initiate action/recoveries/prevent vesting under the Malus and Clawback clauses:
 - a) Fraud
 - b) Gross negligence which has caused or may cause significant financial losses or reputational harm to the Clearing Corporation
 - c) Misfeasance and nonfeasance which has caused or may cause significant financial losses or reputational harm to the Clearing Corporation
 - d) .Any act amounting to Criminal Breach of Trust
 - e) Conviction for an offence involving moral turpitude
 - f) Fraudulent Financial reporting
 - g) Ethical Misconduct
 - h) Overstating/misstating financial indicators or other performance criteria either at the company level or individual level with a view to get an increased variable pay
 - i) Breach of confidentiality or trade secrets

Clawback shall be applicable to the complete variable compensation which is vested in the previous year and in case there is no variable component in the compensation of particular KMP, it would be applicable upto 10% of the fixed compensation drawn in the previous year. All recoveries or compensation returned by the KMP's under Clawback, would be net-off of taxes and levies in that respective year(s).

In case of separation or resignation or termination of the service of the employee for any reason other than misconduct, the deferred variable component shall remain with the Exchange for the remaining period and shall be paid after the completion of vesting period as specified in the Compensation Policy.

In case of death of the Employee, the deferred compensation shall be payable to legal heirs or successors of the Employee after the completion of the vesting period, subject to the legal heirs or successors of the Employee producing all such documents as may be required by the Clearing Corporation to prove the succession to the assets of the deceased employee.

In case of the retirement or termination of service of the employee due to early retirement pursuant to scheme of voluntary retirement as formulated by the Clearing Corporation, if any, the deferred compensation shall be payable after completion of the vesting period as specified in the Compensation Policy.

VIII. Equal Compensation Opportunity

The Clearing Corporation does not tolerate any form of discrimination, in particular discrimination based on ethnicity, nationality, gender, identity, religion, age, marital or family status, pregnancy, disability or any other status that is protected by law of the country and the Constitution of India. The Exchange encourages a safe and healthy work environment, free from discrimination, harassment and retaliation. All employment-related decisions, including decisions on compensation, are based on an individual's qualifications, performance and behaviour, or other legitimate business considerations. Legitimate business considerations may include (though need not be restricted to) the profitability of the Clearing Corporation, the division and department of the individual, industry practice, the strategic needs of the Clearing Corporation as well as any other considerations that the Clearing Corporation deems legitimate to its business interests.

IX. Board diversity

The Board shall have an optimum composition of Directors by ensuring experts from different fields viz. finance, law, management, sales, marketing, engineering, research, technical operations or any other areas related to the Company's business. There will be a balance of skills & experience to steer the Company towards achievement of its short term and long term objectives.

X. Evaluation

The Performance evaluation is to be conducted as per the provision of the Companies Act, 2013 and Listing Regulations. The Committee shall carry out evaluation of performance on a yearly basis.

The Committee shall monitor and review board evaluation framework, conduct an assessment of the performance of the Board against criteria as determined and approved by the Committee. The performance evaluation of Independent Directors shall be done by entire Board of Directors, excluding the director being evaluated and evaluation of the board as a whole shall be done by the Independent Directors.

XI. Amendment

Based on the recommendation of the Committee, the Board reserves its right to amend or modify this Policy in whole or in part, at any time, when it deems appropriate, in accordance with any amendment to the applicable provisions of Companies Act, 2013, including rules thereof and / or the provisions of the Listing Regulations.