



## NOMINATION AND REMUNERATION POLICY

### **I. INTRODUCTION**

This Policy applies to the Board of Directors, Key Managerial Personnel of Metropolitan Stock Exchange of India Limited (hereinafter referred to as “Exchange”).

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 & Disclosure Requirements) Regulation, 2015 (‘SEBI LODR Reg.’) and Regulation 27 of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (‘SECC Regulations’)<sup>1</sup>

The Company aims to achieve balance of merits, experience and skills amongst its Directors, Key Managerial Personnel, Senior Management Personnel and Employees.

The 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 Exchange. 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 this Nomination and Remuneration Policy of Metropolitan Stock Exchange of India Limited (hereinafter referred to as “Exchange”) is to:

- support performance that is based on merit, and differentiate and reward excellent performance, both in the short and long term, and to recognise the values of the Exchanges;
- attract and retain personnel, and motivate them to achieve organisational 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 behaviours 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**

1. **“The Company”** means Metropolitan Stock Exchange of India Limited.
2. **“Board ”** means Board of Directors of the Company.

<sup>1</sup> Including Securities Contracts (Regulation)(Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023



3. **“Committee”** means Nomination cum Remuneration and Compensation Committee of the Company as constituted or re-constituted by the Board, from time to time.
4. **“Key Managerial Personnel” as per Companies Act, 2013 (KMP)** means
  - (i) Chief Executive Officer or the Managing Director or the Manager;
  - (ii) Company Secretary;
  - (iii) Whole-Time Director;
  - (iv) 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 officers as may be prescribed.
5. **“Key Managerial Personnel” as per SECC Regulations includes<sup>2</sup>**
  - i. any person appointed as the managing director or executive director; or
  - ii. a person serving as the head of a department or vertical and directly reporting to the managing director or to the directors on the governing board of the recognized stock exchange or recognized clearing corporation; or
  - iii. a person serving as the head of a core function as specified under Part-C of Schedule-II of these regulations.; or
  - iv. a person who stands higher in hierarchy to the head of any department(s) handling core function(s) in the recognized stock exchange or recognized clearing corporation; or
  - v. reporting officials of key management personnel; or
  - vi. any person defined as a “key managerial personnel” under the Companies Act, 2013; or any other person who is a key decision making authority at the level of the recognized stock exchange or recognized clearing corporation or its direct or indirect material subsidiaries, as identified by the managing director or its Nomination and Remuneration Committee

Provided that in the case of a subsidiary of a recognized stock exchange or a recognized clearing corporation that is regulated by a financial sector regulator; the norms specified by such a regulator may be considered for determining as to whether the person at the subsidiary is designated as a key management personnel;”

<sup>2</sup> Under Securities Contracts (Regulation)(Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023, the definition of KMP as per SECC Regulations has replaced the following:

*“Key Management Personnel” as defined under SECC Regulations also 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;*



#### IV. Factors Determining Remuneration

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

- Financial condition/ health of the Exchange 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 incentivise taking excessive risks over the short run.
- Role and responsibilities of the Director/Key Management Personnel/Senior Management Personnel/Employees.
- Performance of the KMP.
- Necessity to differentiate and reward excellent performance, both in the short and long term.
- Attract and retain KMP/Employees and motivate them to achieve results with integrity and fairness
- Encourage teamwork and collaboration across the KMP/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.

#### V. Compensation Structure

The Board of Directors of the Company shall decide the remuneration of Executive / Non-Executive Directors and KMP 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 ('the Act') and in compliance with the provisions of the Act, SEBI (Listing Obligations And Disclosure Requirements) Regulations, 2015 and SECC Regulations 2018 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.

##### 1 **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.

**2 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.

**3 Deferred Compensation**

50% of variable compensation is deferred to reflect the nature of the Exchanges 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 are 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/ Non-Independent Director<sup>3</sup>.

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:

**1 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 Key management Personnel throughout business cycles.

<sup>3</sup> The term 'Non-Independent' Director has replaced the term 'Shareholder' Director as per Securities Contracts (Regulation)(Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023

**2 Variable Compensation**

The level of variable compensation granted, referred to as a discretionary variable incentive factored in the Compensation of the KMP. The Nomination and Remuneration Committee/Board makes decisions on variable compensation based on absolute and relative performance of the Exchange 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 be in the range of 25%-50% of total pay.<sup>4</sup>

**3 Deferred Compensation**

50% of variable compensation is deferred to reflect the nature of the Exchanges 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 are subject to vesting period of three years.

**4 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.

**5 Tenure**

The tenure of all KMPs shall be for a specified period from specific start date to specific end date or upto the date of exit from the Exchange or upto the date they specifically cease to be KMP, whichever is earlier

**VI. MALUS AND CLAWBACK ARRANGEMENT**

The compensation arrangement shall contain a general provision of Malus and Clawback that enables the Exchange 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 to the interests to the Exchange.

Malus and Clawback arrangement permits the Exchange to prevent vesting of all or part of the amount of a deferred remuneration. As defined above, Malus and Clawback shall be only applicable to all or part of the deferred and as yet unvested Compensation, if any, 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 Exchange
- c) Misfeasance and nonfeasance which has caused or may cause significant financial losses or reputational harm to the Exchange
- d) Any act amounting to Criminal Breach of Trust
- e) Conviction for an offence involving moral turpitude

<sup>4</sup> replaced "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 Exchange 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" as per Securities Contracts (Regulation)(Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023*

- 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

Malus and Clawback shall be applicable to the complete variable compensation which is vested in the previous year. All recoveries or compensation returned by the KMP's under Malus and Clawback, would be net-off of taxes and levies in that respective year(s).

<sup>5</sup> "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 at the discretion of the Nomination & Remuneration Committee<sup>6</sup>."

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 Exchange 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 Exchange, if any. The deferred compensation shall be payable after completion of the vesting period as specified in the Compensation Policy.

## **VII. EQUAL COMPENSATION OPPORTUNITY**

The Exchange 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 Exchange, the Division and department of the individual, industry practice, the strategic needs of the Exchange as well as any other considerations that the Exchange deems legitimate to its business interests.

<sup>5</sup>The said clause has been modified by the board in its meeting held on May 22, 2016.

<sup>6</sup>to only those employees who have completed minimum three years of service in the Exchange. - The said clause has been deleted by the board in its meeting held on February 11, 2021



## **VIII. BOARD DIVERSITY<sup>7</sup>**

The governing board of the recognised stock exchange and the recognised clearing corporation shall comprise of directors having the requisite qualifications and experience in the areas of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management and management or administration:

Provided that the governing board of the recognised stock exchange and recognised clearing corporation shall comprise of at least one public interest director having the requisite qualification and experience in each of the areas of capital markets, finance and accountancy, legal and regulatory practice, and technology.

The recognised stock exchange and recognised clearing corporation may also appoint directors having qualification and experience in other areas which may be specific to them:

Provided that the recognised stock exchange and recognised clearing corporation shall ensure that the governing board collectively comprises of directors with above specified qualifications and experience

## **IX. EVALUATION**

The Performance evaluation is to be conducted as per the provision of the Companies Act, 2013, SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015 ('SEBI LODR Reg.') and SECC Regulation 2018. 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.

## **X. 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 SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015 ('SEBI LODR Reg.').

*<sup>7</sup> replaced "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" as per Securities Contracts (Regulation)(Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2023*