

Performance Evaluation Policy

v.2.0

National Securities Depository Limited

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PERFORMANCE EVALUATION POLICY

1. Background:

National Securities Depository Limited ('NSDL'/'Company'), has adopted this Performance Evaluation Policy ('Policy') of Board as a whole, Committees of the Board, Company, Public Interest Directors (PIDs), Independent External Person (IEPs), Chairperson and Non-Independent Directors (NIDs), in accordance with Regulation 19 and Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') read with SEBI Circular No. SEBI/HO/CFD/CMD/CIR/P/2017/004 dated January 5, 2017, the SEBI (Depositories and Participants) Regulations, 2018 ('SEBI D&P Regulations') as amended read with SEBI Circular SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/26 dated February 05, 2019, SEBI/HO/MRD/DOP2DSA2/CIR/P/2019/13 dated January 10, 2019 and the Companies Act, 2013 including rules issued thereunder ('the Companies Act').

2. Applicability:

This Policy shall be applicable for evaluating performance of Board as a whole, Committees of the Board, Company, PIDs, IEPs, Chairperson and NIDs.

3. Objective:

This policy is to formulate the procedures and also to prescribe and lay down the criteria to evaluate the performance of the Board as a whole, Committees of the Board, Company, PIDs, IEPs, Chairperson and NIDs.

4. Evaluation of the Performance:

a. Evaluation of the Board as a whole

The Board shall, on an annual basis, evaluate its own performance in such a manner as may be specified by the SEBI and keeping in mind the evaluation criteria as provided in **Annexure**. In case, where SEBI has prescribed the evaluation criteria, then the same will be followed for conducting evaluation.

The performance of the Board shall be evaluated on basis of the regularity and frequency of meetings, circulation of agendas of meeting, recording and circulating minutes of proceeding of meetings, and flow of information along with compliance of requirements specified under secretarial standards.

b. Evaluation of the Committees of the Board

The Board shall, internally conduct annual evaluation of the performance of each Committee (including statutory committees prescribed by SEBI) in such a manner as may be specified by the SEBI and keeping in mind the evaluation criteria as detailed in **Annexure**. In case, where SEBI has prescribed the evaluation criteria, then the same will be followed for conducting evaluation.

The Board shall also appoint an independent external agency to evaluate the performance of its statutory committees in such periodicity and in such a manner as may be specified by the SEBI.

The performance of the Committees of the Board shall be evaluated on basis of the regularity and frequency of meetings, circulation of agendas of meeting, recording and circulating minutes of proceeding of meetings, and flow of information along with compliance of requirements specified under secretarial standards.

c. Evaluation of the Company

The Board shall internally conduct annual evaluation of performance of the Company in such a manner as may be specified by the SEBI.

The Board shall also appoint an independent external agency to evaluate the performance of the Company in such periodicity and in such a manner as may be specified by the SEBI.

d. Evaluation of the PIDs and IEPs

The PIDs and IEPs shall be subjected to internal as well as external evaluation, carrying equal weightage.

I. Internal Evaluation:

All the Board Members shall evaluate the performance of each PID and IEP, on an annual basis at the end of every financial year.

II. External Evaluation:

PIDs and IEPs shall also be subject to external evaluation during their last year of the term, by an independent external agency. In order to avoid any bias or conflict of interest, external agency should not be a related party or associated with NSDL, concerned PID / IEP or any other Board Members. The agency shall take into consideration the performance of PID for entire tenure served in Company, at least up to 4 months before the expiry of his/her term. Such performance review should be carried out in fair and objective manner and the review should be recorded with clarity and verifiable facts in a standardized format covering all the relevant criteria/aspects.

III. Evaluation Criteria:

The criteria/ guidelines for performance evaluation of PIDs and IEPs, shall be considered for both internal evaluation and external evaluation as detailed in **Annexure** and additional criteria may be considered, as may be deemed appropriate from time to time:

e. Evaluation of the Chairperson

The Performance of Chairperson of the Company shall be evaluated, on an annual basis, by the PIDs. In carrying out its evaluation, the PIDs shall keep in mind the evaluation criteria / guiding principles detailed in **Annexure**.

In addition, the PIDs shall hold a meeting at least once in any given year, without the presence of the NIDs of the Company to review the performance of Chairperson of the Company in accordance with the evaluation parameters may be prescribed, taking into account the views of NIDs. All PIDs shall strive to attend such meeting.

f. Evaluation of the NIDs

Performance of NIDs of the Company (including the Managing Director) shall be evaluated, on an annual basis, by the Board (excluding the Director being evaluated).

In carrying out its evaluation, the Board shall keep in mind the criteria/ guidelines detailed in **Annexure**. In case, where SEBI has prescribed the evaluation criteria, then the same will be followed for conducting evaluation.

The performance of the Managing Director & Chief Executive Officer be evaluated, amongst other things, on the basis of leadership qualities, strategic thinking, decision making, business acumen, Conduct of Meetings, time commitment, interaction with management, relationships and communications with the Stakeholders and overseeing succession planning.

5. Role of Independent Directors (PIDs)

The PID's shall hold a meeting at least once in a financial year, without the presence of the NIDs of the Company, in which they shall:

- i. review the performance of the Board as a whole and its Committees in accordance with the evaluation parameters as may be prescribed;
- ii. review the performance of the NIDs (including Managing Director & CEO of the Company) in accordance with the evaluation parameters as may be prescribed;
- iii. 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 / Committees to effectively and reasonably perform its duties.

6. Review of the Policy

The NRC shall review this Policy, at least once in 3 years and as and when required, subject to approval of the Board.

In case of any amendment(s), clarification(s), circular(s), notification(s) etc. issued by the relevant authority, not being consistent with the provisions laid down in this

policy, then such amendment(s), clarification(s), circular(s), etc., shall prevail upon the provisions herein and this policy shall stand amended accordingly from the effective date as laid down under such amendment(s)/clarification(s)/circular(s)/notification(s), etc.

7. Disclosure

In accordance with the requirements under the Listing Regulations and the Companies Act, disclosure regarding the manner in which the performance evaluation has been done by the Board of its own performance, performance of various Board Committees and Directors will be made by the Board in the Board's report. The key features of this Policy will be included in the corporate governance statement contained in the annual report of the Company.

Annexure

Criteria for performance evaluation of the Board, its Committees, PIDs, IEPs, NIDs and the Chairperson

1. Guiding principles for performance evaluation of the Board

A. Governance related

- Corporate Governance standards adopted by the Board such as board composition, board diversity etc. and its implementation
- Understanding roles and responsibilities of Directors
- Code of conduct and Ethics and adherence thereto
- Independence of Board functioning
- Commitment to highest ethical standards of integrity and probity.
- Implementation and periodic review of policies and procedures for risk management, financial controls and statutory / regulatory compliance.
- Number and adequacy of meetings, discussion on strategic matters having substantial effect on the functioning of the Company.
- Accountability for decisions taken.
- Stakeholder relationship management.
- Adequacy on flow of information to the Board.

B. Business related

- Understanding of the objectives, values, vision and business of the Company
- Provision of entrepreneurial leadership
- Setting up of Company's strategic aims and financial goals
- Guidance to drive financial and business performance of the Company and periodic review of the same
- Ensuring necessary financial and human resource support to achieve Company's objectives
- Strategic and business risk evaluation, assessment and timely action.

C. Others

- Board processes for ensuring optimum size, composition, diversity and delegation of authority

- Adequate reporting mechanism to stakeholders and redressal of their grievances.
- Engagement with the executive management (formal or informal) on issues/concerns having effect on the Company's functioning.

2. **Guiding principles for performance evaluation of Committees**

In addition to the principles stated above for evaluation of Board to the extent applicable to the respective Committee(s), following may be taken into consideration for performance evaluation of Committees:

- Constructive recommendations made by the Committee(s) to the Board may also be kept in mind
- Engagement with executive management (formal or informal) on information required by the Committee to effectively discharge its statutory responsibilities.
- Terms of reference set out in the charter of the respective Committee(s) to ensure that committees are performing efficiently and effectively in accordance with the same.

3. **Guiding principles for performance evaluation of PIDs, NIDs and IEPs**

➤ **Qualifications and Experience:**

- i. **PID/NIDs** – PID / NID qualification and prior experience in the areas of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management, and management or administration.
- ii. **IEP** – IEP's qualification, and specialty in the field of work assigned to the committee of which IEP is a member. In addition, other attributes as specified by SEBI shall be considered.

➤ **Knowledge and Competency:**

- i. Whether the PID/ NID / IEP has sufficient understanding and knowledge of the Company and the applicable regulatory norms.
- ii. Whether the PID/ NID / IEP has sufficient understanding of the role, responsibilities and obligations of PID/ NID / IEP under the relevant

regulatory norms.

- iii. How the PID / NID/ IEP fares across different competencies as outlined below, as identified for effective functioning of Board of the Company:
 - Constructive and analytical decision-making abilities
 - Strategic expertise – the ability to understand and review the strategy
 - Legal - Understanding of legal and regulatory framework
 - Financial – Ability to read and understand the basic financial statements
 - Risk management - experience in managing areas of major risk to the organisation
 - Business acumen and sound commercial judgment
 - Leadership
- iv. Whether the PID/ NID / IEP has sufficient understanding of the risk attached with the business structure.

➤ **Fulfillment of functions:**

- i. Whether the PID/ NID / IEP understands and fulfills the functions as assigned to him/her by the Board and the regulatory norms.
- ii. Whether the PID/ NID / IEP gives views and opinion on various regulatory matters when comments are invited by SEBI through various means.

➤ **Ability to function as a team:**

- i. Whether the PID/ NID / IEP is able to function as an effective team- member.
- ii. Whether the PID/ NID / IEP listens attentively to the contributions of others and gives adequate weightage to the views and perception of other Board members.
- iii. Whether the PID/ NID / IEP shares good interpersonal relationship with other Directors.

➤ **Initiative:**

- i. Whether the PID/ NID / IEP actively takes initiative with respect to various areas.
- ii. Whether the PID/ NID / IEP insists on receiving information necessary for decision-making.
- iii. Whether the concerned PID/ NID / IEP keeps himself well informed about the functioning of NSDL and the external environment in which it operates.
- iv. Whether the PID/ NID / IEP remains updated in terms of developments taking place in regulatory areas.
- v. Whether the PID/ NID / IEP has identified any important issues concerning any matter which may involve conflict of interest for the Company, or may have significant impact on its functioning, or may not be in the interest of securities market, and whether the PID/ NID / IEP has reported same to SEBI.
- vi. Whether the PID/ NID / IEP appropriately deals with critical matters.

➤ **Availability and attendance:**

Whether the PID/ NID / IEP is available for meetings of the Board and attends the meetings of Board and Committees regularly and timely, without delay.

(Note: PIDs shall endeavour to attend all the governing board meetings and they shall be liable to vacate office if they remain absent for three consecutive meetings of the governing board or do not attend seventy five percent of the total meetings of the governing board in a calendar year)

➤ **Commitment:**

Whether the PID/ NID / IEP is adequately committed to the Board and the Company.

➤ **Contribution:**

- i. Whether the PID/ NID / IEP has contributed effectively to the entity and in the Board meetings.
- ii. Whether the PID/ NID / IEP participates in the proceedings of Board meetings keeping in mind the interests of various stakeholders.
- iii. Whether the PID/ NID / IEP actively deliberates and contributes on proposed business propositions and strategic decisions taking into consideration pros and cons of such propositions, long term outlook, business goals, cost-benefit analysis, etc.

➤ **Integrity:**

- i. Whether the PID/ NID / IEP demonstrates highest level of integrity (including conflict of interest disclosures, maintenance of confidentiality, etc.).
- ii. Whether the PID/ NID / IEP strictly adhere to the provisions of the SEBI (D&P) Regulations, 2018 and any other regulatory provision, as applicable, along- with the code of conduct and code of ethics prescribed under other applicable regulatory norms.
- iii. Whether disclosures such as dealing in securities and other regulatory disclosures are provided by the PID/ NID / IEP on timely basis.
- iv. Confirmation on the PID/ NID / IEP being a Fit & Proper person.
- v. Confirmation that the PID/ NID / IEP doesn't disclose confidential information, including technologies, unpublished price sensitive information, unless such disclosure is expressly approved by the Board of Directors or required under the applicable laws.

➤ **Independence:**

- i. Whether the PID/ NID / IEP is independent from NSDL and the other Directors and there is no conflict of interest.

- ii. Confirmation as to non-association of the PID/ NID / IEP with the Company and its members.
- iii. Whether the PID/ NID / IEP keeps regulators informed of material developments in the Company's functioning, from time to time.

➤ **Independent Views and Judgment:**

- i. Whether the PID/ NID / IEP exercises his/her own judgment and voices opinion freely.
- ii. Whether the PID/ NID / IEP participation in decisions taken during meetings are unbiased, based on ethical judgment and are in strict conformity to the applicable regulatory norms.
- iii. Whether the PID/ NID / IEP raises his/her concern if anything is observed contrary to regulatory norms and the expected norms of ethical conduct.
- iv. Whether the PID/ NID / IEP is committed to ensure that there is fairness and integrity in NSDL's system, in letter as well as spirit.

3A. Managing Director and Chief Executive Officer:

- Long-term vision for the Company and business acumen.
- Entrepreneurial leadership to the Company and its business segments and setting up of strategic vision.
- Clear understanding of Company's business, industry dynamics, competitive trends including global trends and inherent business and operational risks.
- Willingness to experiment and adopt innovative strategies for changing the Company's business landscape.
- Execution of policies and procedures put in place by the Board.

4. Guiding principles for performance evaluation of Chairperson

In addition to the above, the following principles may be kept in mind while evaluating the performance of the Chairman:

- Efficient leadership qualities and determination of delivery of the Company's

strategy.

- Ensuring adequate flow of information to all Directors on any issue where a decision is required.
- Enhancing of Company's image in dealings with major stakeholders.
- In-depth knowledge of the industry and business.
- Enjoys trust and confidence of Board members.
- Ensuring that every Board member has an opportunity to be heard and to present his/her views without any constraint.
- Encouragement to Independent Directors to bring diverse perspectives on the table.
- Ensuring that Directors are fully informed as possible on any issue where decision is required.