

REMUNERATION POLICY

NSDL e-Governance Infrastructure Limited

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1 Policy Statement

1.1 Background

NSDL e-Governance Infrastructure Limited (NSDL e-Gov) is engaged in the business of providing Information Technology (IT) enabled e-Governance services to various clients. As a company in the IT & ITeS segment, it is dependent on highly-skilled individuals who specialize in a broad range of disciplines. The Company's ability to implement a comprehensive human capital strategy to attract, retain, reward, and motivate such individuals is fundamental to its long-term success. Compensation is a key component of the Company's human capital strategy, as the Company implements its client-focused integrated business model strategy and helps clients to automate their various processes in an efficient manner. NSDL e-Gov favours competitive, stimulating and fair remuneration structures offering an overall competitive and attractive remuneration package. Remuneration includes salary, any variable part of remuneration as well as social, pension and other benefits. The Companies Act, 2013 provides that Nomination and Remuneration Committee shall formulate a Remuneration Policy with approval of the Board, relating to the remuneration for the directors, key managerial personnel and other employees considering the following:

- (a) 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;

- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

(c) 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.

1.2 Policy

The Board of NSDL e-Gov, in continuation of company's pursuit to maintain a responsible, performance-based Remuneration Policy that is aligned with the long-term interests of the employees and shareholders, decided to formulate 'Remuneration Policy' to provide for the right balance between meeting shareholders' expectations and paying our employees competitively. Accordingly, a Remuneration Policy ("the Policy") has been formulated with a view to facilitate competitiveness by paying market-informed, competitive remuneration levels for comparable roles and experience, subject to performance; promote meritocracy by recognizing individual performance, with a particular emphasis on contribution and provide the appropriate balance of Fixed Remuneration and Variable Remuneration consistent with risk alignment, position and role in the company.

This policy comes into force with effect from September 1, 2014.

2 Purpose and Objectives

The objective of this document is to provide for a framework for adequately remunerating the directors, key managerial personnel and other employees to attract, retain and motivate directors and employees of the quality required to run the company.

NSDL e-Gov recognizes the following as the purpose of this Policy:

i) To support a performance culture that is based on merit, differentiate and reward excellent performance, both in the short and long term, and recognize the Company's values;

- ii) To enable the Company to attract and retain employees, and motivate them to achieve results with integrity and fairness;
- iii) To balance the mix of Fixed Remuneration and Variable Remuneration, to appropriately reflect the value and responsibility of the role performed day to day and to influence appropriate behaviors and actions;
- iv) To maintain remuneration levels which is consistent with, and promotes, effective risk management practices;
- v) To promote teamwork and collaboration across the Company; &
- vi) To take into account the long-term performance of the Company, in order to create sustainable value for the Company's shareholders.

The Policy is to be approved by the Board of Directors and monitored in terms of implementation by the Nomination and Remuneration Committee of the Board.

3 Definitions

The definitions of some of the key terms used in this Policy are given below. "Board" means the Board of Directors of the Company.

"Company" means NSDL e-Governance Infrastructure Limited.

"Director" means member of the Board of Directors of the Company.

"Employee" means every employee on the rolls of the Company (whether working in India or abroad).

"Key Managerial Personnel" means the Managing Director, the Deputy Managing Director, the Chief Operating Officer, the Chief Financial Officer, the Company Secretary and any other employee designated as Key Managerial Personnel by the Board.

“Nomination and Remuneration Committee” means the Nomination and Remuneration Committee constituted by the Board of Directors under the provisions of the Companies Act, 2013 including any of its amendment or re-enactment.

“Senior Management” means KMPs and employees in the cadre of Functional Heads and above.

“Fixed Remuneration” means the portion of remuneration which is payable to employees without any linkage to performance evaluation.

“Variable Remuneration” means portion of remuneration which is payable to employees on the basis of evaluation of their performance.

“Employee Stock Option” means a right granted to an Employee, which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date the shares of the Company, at a pre-determined price as per the ESOP Plan of the Company.

4 Scope and Applicability

This Policy is applicable for determination of remuneration for the directors, key managerial personnel, senior management and other employees of the Company.

5 Remuneration Governance

5.1 The Board is responsible for approval of the Remuneration Policy as well as related rules and regulations. It also has overall responsibility for the approval of remuneration plans and remuneration expenses.

5.2 Nomination and Remuneration Committee is responsible for recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees and reviewing the Remuneration Policy from time to time and recommending to the Board any changes required in the Policy.

5.3 The implementation of the Remuneration Policy is the responsibility of the Senior Management of the Company.

5.4 The Remuneration Policy shall be disclosed in the Board's Report submitted to shareholders every year.

6 Equal Remuneration Opportunity

The Company does not tolerate any form of discrimination, in particular discrimination based on ethnicity, gender, sexual orientation, religion, age, marital or family status, pregnancy, disability etc. All employment-related decisions, including decisions on remuneration, are based on an individual's qualifications, performance and behavior and/ or other legitimate business considerations.

7 Remuneration Structure

The mix of Fixed and Variable Remuneration is designed to ensure adequate consideration of risk in remuneration decisions. It varies from employee to employee depending on their position and role within the Company.

7.1 Fixed Remuneration

Fixed Remuneration to employees, is normally paid in the form of salary and other allowances, benefits and fixed portion of performance linked incentive. It is based on the role and experience of the individual and his or her individual long-term sustained performance. Monthly salary is set at levels designed to retain employees throughout business cycles.

7.2 Variable Remuneration or Performance Linked Incentive

The level of Variable Remuneration granted to employees is entirely at the discretion of the Company, and may be zero in cases of substandard performance. The Company takes decisions on Variable Compensation based on absolute and relative performance of the Company, as well as individual performance of its employees.

7.3 Employee Stock Option Plan (ESOPs)

Granting ESOPs to employees is entirely the sole discretion of the Company, and may be granted in cases of exceptional performance. The primary objective of ESOP is to reward the key employees for their association, dedication and contribution to the goals of the Company. The Company intends to use this Plan to attract, retain and motivate key talents working with the Company, its Subsidiary, or its Holding Company, present or future as the case may be, by way of rewarding their high performance and motivate them to contribute to the overall corporate growth and profitability. The Company takes decisions on grant of ESOPs based on absolute and relative performance of the Company, as well as individual performance of its employees.

8 Determination of Remuneration for Employees

8.1 Total Remuneration of employees shall comprise appropriate mix of fixed and variable remuneration for all the employees in the cadre of Officer and above.

8.2 Total Remuneration of employees below the cadre of Officer shall comprise fixed remuneration as determined from time to time.

8.3 Fixed Remuneration for the new recruits shall be determined based on the role, experience, statutory requirements and other factors.

8.4 Fixed Remunerations during salary revision shall be determined based on the current functions and role of the respective levels and external factors.

8.5 Variable remuneration shall be derived for various levels based on the long term performance development and other external factors.

8.6 Total Variable Remuneration (PLI) payable to all employees in a year would be limited to 10% of the Profit After Tax (PAT) as per the audited financial statements of the previous financial year.

8.7 The Company adopts a performance culture with a strong emphasis on disciplined risk management, ethics and compliance-centered behavior.

8.7 A). Employee Stock Option Plan (ESOPs) – ESOPs may be granted to eligible employees subject to necessary approvals and prescribed limits under Companies Act, 2013 and Rules notified thereunder and any other applicable laws .

“Eligibility Criteria” means the criteria as may be determined from time to time by the Nomination and Remuneration Committee for determining the eligibility of Employees for Grant of Employee Stock Options under the Plan.

8.8 Allocation and distribution decisions pertaining to PLI are based on the performance of the Company and the employee. To support this, the Company has a performance management system based on various performance rating criteria. This is well laid down in Staff Rules of the Company.

8.9 Performance management criteria are designed to foster teamwork and collaboration, as well as support a strong culture of ethical values and professional standards.

9 Determination of Remuneration for Directors

9.1 Non-Executive Directors

a) Non-Executive Directors shall be paid remuneration by way of sitting fee for attending each meeting of the Board or any Committee thereof within the permissible limits prescribed under the Companies Act, 2013 from time to time as may be approved by the Board / shareholders.

b) Directors may be paid Commission as a percentage of profits of the Company within the permissible limits prescribed under the Companies Act, 2013 from time to time.

c) Sitting fee and Commission payable to the Independent Directors and Women Directors shall not be less than the sitting fee and commission payable to other non-executive directors.

9.2 Managing Director / Whole Time Director

a) Managing Director / Whole Time Director shall be paid remuneration by way of monthly salary as approved by the Board & Shareholders within the limits prescribed under the Companies Act, 2013 and any rules framed thereunder.

b) Variable Remuneration to Managing Director / Whole Time Director shall be paid as a percentage of Annual Salary which shall not be less than 50% and more than 100% of the Annual Salary as may be determined by the Board and approved by the Shareholders.

c) Variable Remuneration to Managing Director / Whole Time Director shall be payable based on the evaluation of performance by the Board or Nomination and Remuneration Committee.

d) Managing Director / Whole Time Director shall also be entitled to various perquisites / benefits as determined by the Board and approved by the shareholders.

10 Review of remuneration package

10.1 Nomination and Remuneration Committee shall carry out review of remuneration package for employees at such intervals as decided by the Committee based on the business activities of the Company, profitability, industry conditions and regulatory situations prevailing in the Country and appropriately recommend to the Board revision in remuneration package for employees.

10.2 Any revision in the remuneration of Directors shall be subject to requisite approval of the shareholders under the applicable provisions of the Companies Act, 2013.

11 Amendment

Any amendment to this Policy shall require the approval of the Board of Directors upon recommendation from the Nomination and Remuneration Committee.