

**CALIFORNIA SOFTWARE COMPANY LIMITED, Chennai**

## **NOMINATION AND REMUNERATION POLICY**

## **1. INTRODUCTION**

In compliance with the requirements set out in the Companies Act, 2013 (“Companies Act”), and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”), and SEBI (Depositories and Participants) Regulations, 2018, (“Depository Regulations”), the Nomination and Remuneration Committee (“NRC”) of California Software Company Limited (“Calsoft” or the “Company”) has formulated this Nomination and Remuneration Policy (“Policy”) in order to set our principles, parameters and governance framework of the appointment and remuneration for Directors, Managing Director & CEO, Key Management Personnel and other employees of the Company. While formulating this Policy, the NRC 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;
- (ii)** relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (iii)** (iii) remuneration to Directors, Key Management Personnel and senior management involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

Further, in terms of the Depository Regulations, the NRC will also determine the compensation of key management personnel. This Policy will assist the Governing Board of the Company to fulfil its responsibility by way of recommendation from the NRC to attract, retain and promote the aforesaid personnel with respect to their remuneration in line with the corporate and their individual performances. This Policy also takes into account the staff rules, resolutions approved by the Governing Board or its Committee/s, internal controls and guidelines framed by the Company

## **2. OBJECTIVE**

To identify persons who are qualified to become Directors (executive and non-executive) and who may be appointed in senior management positions in accordance with the criteria laid down and recommend their names to the Board for appointment or removal.

To evaluate skills, knowledge, expertise and experience for the position on the Board or for Key Management Positions and on the basis of such evaluation, prepare a description of the role and capabilities required of a Director or Managing Director & CEO and other Key Management positions.

On an ongoing basis, NRC shall evaluate the remuneration that are payable to the Directors, Managing Director & CEO and key management personnel and recommend the same to the Governing Board. While doing this, the NRC shall consider the market trends and compensation levels in similar organisations so as to attract and retain the talent.

### 3. DEFINITIONS

- (i) “Companies Act” means the Companies Act, 2013, as amended from time to time circulars and notifications as may be issued thereunder.
- (ii) “Director” means a director appointed on the Board of NSDL.
- (iii) “Depository Regulations” means the SEBI (Depositories and Participants) Regulations, 2018, as amended from time to time, read along with rules, circulars and notifications as may be issued by SEBI thereunder,
- (iv) “Fit and proper person” includes a person if –
  - a. such person has a general reputation and record of fairness and integrity, including but not limited to—
    - i. financial integrity;
    - ii. good reputation and character; and
    - iii. honesty;
  - b. such person has not suffered any of the following disqualifications—
    - i. the person or any of its whole-time directors or managing partners, has been convicted by a court for any offence involving moral turpitude or any economic offence or any offence against the securities laws;
    - ii. an order for winding up has been passed against the person;
    - iii. the person, or any of its whole-time directors or managing partners, has been declared insolvent and has not been discharged;
    - iv. an order, restraining, prohibiting or debarring the person or any of its whole-time directors or managing partners, from dealing in securities or from accessing the securities market, has been passed by the SEBI or any other

regulatory authority and a period of three years from the date of the expiry of the period specified in the order has not elapsed;

- v. any other order against the person, or any of its whole-time directors or managing partners, which has a bearing on the securities market, has been passed by the SEBI or any other regulatory authority, and a period of three years from the date of the order has not elapsed;
- vi. SEBI has initiated recovery proceedings under the SEBI Act, 1992 and are pending;
- vii. the person has been found to be of unsound mind by a court of competent jurisdiction and the finding is in force;
- viii. the person is financially not sound or has been categorized as a wilful defaulter; and

(v) any other disqualification as specified by SEBI.

“Governing Board” or “Board” means the board of directors of the Company.

(vi) “Independent Director” means a Director referred to in Section 149(6) of the Companies Act.

(vii) “Key Management Personnel” means (i) Key Management Personnel as defined under regulation 2(k) of the Depository Regulations and (ii) Key Management Personnel as defined under regulation 2(o) of the Listing Regulations; and (iii) Key Managerial Personnel defined under Section 2(51) of the Companies Act.

(viii) “NRC” means the Nomination and Remuneration Committee constituted by the Governing Board from time to time.

(ix) “Non-Independent directors” means a non-independent director as defined under the Depository Regulations.

(x) “Public Interest Director” means a public interest director as defined under the Depository Regulations;

(xi) “Senior Management” mean senior management as defined under the Listing Regulations;

(xii) “SEBI” means the Securities and Exchange Board of India.

#### 4. ROLES AND RESPONSIBILITIES OF THE NOMINATION AND REMUNERATION COMMITTEE

The NRC constituted by the Board leads the process of appointment and remuneration of Directors, Managing Director & CEO and other Key Management Personnel in accordance with the requirements of the Companies Act, Depository Regulations, Listing Regulations and other applicable regulations / guidelines. All the appointments are based on merits.

The role of the NRC identified by the Board and mandated by SEBI is as follows:

| Sr. No. | Role of NRC   |
|---------|---|
| 1       | Identify persons who are qualified to become directors or who may be appointed in senior management or other Key Management positions, in accordance with the criteria laid down, and to recommend to the Governing Board their names for appointment or removal  |
| 2       | Shall specify the manner for effective evaluation of performance of Governing Board, its committees, individual directors, MD & CEO and KMPs  |
| 3       | Shall formulate the criteria for determining qualifications, attributes, diversity and independence of a director and recommend to the Governing Board a policy, relating to the remuneration for the directors, Managing Director & CEO and other key management personnel   |
| 4       | Shall formulate the criteria for evaluation of the performance of public interest directors and the board of directors  |
| 5       | Evaluate the skills, knowledge and experience on the Governing Board for every appointment of public interest director and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Governing Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may: a) use the services of an external agency, if required; b) consider candidates from a wide range of background, having due regard to diversity; and c) consider the time commitments of the candidates. |
| 6       | Whether to extend or to continue with the term of appointment of a Public Interest director, on the basis of the report of performance evaluation of Public Interest directors  |
| 7       | Recommend to the Governing Board, all remuneration, in whatever form, payable to MD &   |

|    |   |
|----|---|
|    | CEO, Senior Management and other KMPs   |
| 8  | Identifying a Key management personnel, other than those specifically provided under Depository Regulations   |
| 9  | Identifying a Key management personnel, other than those specifically provided under Depository Regulations   |
| 10 | Determining the compensation of KMPs in terms of the compensation policy  |
| 11 | Determining the tenure of a key management personnel, other than a director, to be posted in a regulatory department  |
| 12 | Selection of CEO / Managing Director / Executive Director   |
| 13 | Framing & reviewing the performance review policy to carry out evaluation of every director's performance, including that of Public Interest Director (PID) |

## **5. CONSTITUTION OF THE NRC**

5.1. The Committee shall include only PIDs. However, IEP may be part of the Committee for the limited purpose of recommendation relating to selection of Managing Director; wherein the number of PIDs shall not be less than the IEPs.

5.2. The Board shall reconstitute the NRC to comply with the provisions of the Companies Act and applicable statutory requirements, including the Depository Regulations and the Listing Regulations.

5.3. A member of the NRC is not entitled to be present when his or her own appointment or reappointment or remuneration is discussed at a meeting or when his or her performance is being evaluated. The NRC may invite such executives, as it considers appropriate, to be present at the meetings of the NRC.

## **6. GENERAL PRINCIPLES TO BE FOLLOWED BY NRC**

i. NRC shall ensure that due process of appointment, re-appointment and remuneration of a Director, Managing Director & CEO and Key Management Personnel of the Company is followed as applicable under the Companies Act, Depository Regulations or such other law as may be applicable from time to time.

ii. The NRC may recommend to the Board, with reasons recorded in writing, removal of Director,

Managing Director & CEO and Key Management 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.

iii. The NRC may consider the following guidelines for recommending/approving remuneration on case-to-case basis:

- a) 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);
- b) overall remuneration practices should be consistent with industry standards;
- c) market competitive;
- d) average levels of compensation payable to employees in similar ranks
- e) should not contain any provisions regarding incentives to take excessive risks over the short term;
- f) based on the role played by the individual in managing the Company, including responding to challenges faced by the Company;
- g) periodic review; and
- h) aligned to regulatory requirements.

iv. Where any insurance is taken by the Company on behalf of its Directors, Managing Director & CEO, Key Management Personnel and other employees, for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

## **7. BOARD DIVERSITY**

While all appointments to the Board are on respective merits, diversity of the 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 NRC shall consider the merit, expertise, skill, experience, gender and other diversity of the Board. In determining whether to recommend a Director for re-election / re-appointment, the NRC shall also consider 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 evaluation done for the respective Director. The process for evaluation shall be as per Performance Evaluation Policy of the Company.

## **8. TERMS OF APPOINTMENT AND RETIREMENT**

- i. Terms of appointment and retirement of Non-Independent Directors shall be in accordance with Annexure A.
- ii. Terms of appointment and retirement of Public Interest Directors shall be in accordance with Annexure B.
- iii. Terms of the appointment and retirement of Managing Director and CEO shall be in accordance with the 'Policy for appointment/ reappointment of Managing Director and CEO'.
- iv. Terms of appointment and retirement of Key Management Personnel shall be in accordance with Annexure C

## **9. POLICY IMPLEMENTATION**

The NRC 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.

## **10. MODIFICATIONS & REVIEW OF THE POLICY**

The NRC shall review this Policy from time to time. The NRC, when it deems necessary, shall recommend the changes to the Board for its approval.

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

The Board (including the NRC 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 Listing Regulations and Depository Regulations.



## TERMS OF APPOINTMENT AND RETIREMENT OF NON-INDEPENDENT DIRECTORS

### 1. Appointment Criteria and Qualifications

- i. The Non-Independent Director shall fulfil the criteria of fit and proper person at all times.
- ii. The Non-Independent Director shall not be a depository participant or an associate or agent of a depository participant, at all times.
- iii. The Non-Independent Director shall not be eligible to be appointed as director, if he is a director of a depository participant or an associate or agent of a depository participant.
- iv. The Non-Independent Director shall be eligible to be appointed as director even if he is a director on the board of a Public Financial Institution or Bank which is in public sector, or which has no identifiable ultimate promoter, or the ultimate promoter is in public sector or has well diversified shareholding, and such Public Financial Institution or Bank or its associate is a Depository Participant.
- v. The appointment and re-appointment of the Non-Independent Director of the Company shall be subject to prior approval of SEBI.
- vi. Any employee of the Company may be appointed on the Board of the Company and such employee shall be deemed to be the Non-Independent Director.
- vii. The NRC shall evaluate and recommend name of candidate proposed to be appointed as non-independent director.
- viii. The names of person(s) to be appointed as non-independent director(s) shall first be approved by the Board of the Company followed by shareholders' approval before submitting the same to the SEBI for approval.
- ix. The manner of election, appointment, tenure, resignation, vacation, etc., of a non-independent director shall be governed by the Companies Act, 2013, save as otherwise specifically provided under D&P Regulations.

## **2. Tenure**

Subject to the approval of SEBI, the NRC may prescribe the tenure for appointment of a Non-Independent Director in accordance with the provisions of applicable laws.

## **3. Removal**

SEBI may remove or terminate the appointment of a Non-Independent Director, for failure to abide by the Code of Conduct and Code of Ethics specified under the D&P Regulations, either upon reference from the Company or on suo moto action.

## **4. Retirement**

The Non-Independent 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 Non-Independent Director in the same position/ remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company, subject to SEBI approval.

## **5. Remuneration**

- i. The remuneration and commission to be paid to the Non-Independent Director shall be recommended by the NRC 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 remuneration payable to the Non-Independent Director shall be inclusive of any remuneration payable for services rendered by such Non-Independent Director in any other capacity unless: a) the services rendered are of a professional nature; and b) the NRC is of the opinion that the Non-Independent Director possesses requisite qualification for the practice of the profession

## TERMS OF APPOINTMENT AND RETIREMENT OF PUBLIC INTEREST DIRECTORS

### 1. Appointment

#### Eligibility:

- i. The Public Interest Director shall fulfil the criteria of fit and proper person at all times.
- ii. The Public Interest Director shall not be a depository participant or an associate or agent of a depository participant, at all times
- iii. The Public Interest Director shall not be eligible to be appointed as director, if he is a director of a depository participant or an associate or agent of a depository participant.
- iv. The Public Interest Director shall be eligible to be appointed as director even if he is a director on the board or employee of a public financial institution or bank which is in public sector, or which has no identifiable ultimate promoter, or the ultimate promoter is in public sector or has well diversified shareholding, and such public financial institution or bank or its associate is a depository participant.
- v. The Public Interest Director shall be eligible to be appointed as director even if he is an independent director on the board of associates of public financial institution or bank in public sector, who is a depository participant and where the majority shareholding is that of such public financial institution or bank in public sector.
- vi. A Public Interest Director on the board of the Company shall not act simultaneously as Director on the board of its subsidiary or on the board of any other depository or recognized stock exchange or recognized clearing corporation or on the board of subsidiary of such other depository or recognized stock exchange or recognized clearing corporation.

### 2. Criteria:

- i. The number of Public Interest Directors on the Board shall not be less than the number of the Non-Independent Directors of the Company.

- ii. The Public Interest Directors shall be appointed with prior approval of SEBI.

A Director is considered independent if the Board makes an affirmative determination after a review of all relevant information. The Board and Committee of the Board shall adhere to the standards set out under Section 149 of the Companies Act, D&P Regulations and the Listing Regulations to assist in making such determinations of independence. If any issue arises as to whether an assignment or position of a Public Interest Director is in conflict with his/her role, SEBI's decision shall be final.

- iii. The NRC shall evaluate and recommend to the Board, names of candidates proposed to be appointed as Public Interest Director.
- iv. The Board of the Company shall recommend to the SEBI at least two names for every vacancy of Public Interest Directors to be filled. The shareholders' approval shall not be necessary.
- v. The Public Interest Directors shall be selected from diverse field of work as per below.
- vi. While deciding to select a particular person as a Public Interest Director, the NRC shall also take into account the following factors:
  - a) Qualification and experience in the area of capital markets, finance and accountancy, legal and regulatory practice, technology, risk management, management or administration.
  - b) 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.
  - c) Persons currently holding positions of trust and responsibility in reputed organizations or person who have retired from such positions.
  - d) Persons who are likely to have interested positions in commercial contracts and financial affairs of the Company may be excluded. Also, persons who are regular traders/speculators in the market or are director in the board of the applicant of the depository shall be excluded.
  - e) Public interest directors shall be bound to peruse the relevant laws, code of conduct, code of ethics, etc. and submit an undertaking to the Company that they are aware of their role, responsibilities and obligations.

- vii. In case of reappointment of a public interest director, the Company shall apply to SEBI four months before the expiry of the term. In addition to the other requirements specified herein, the application for reappointment of the public interest director shall be accompanied with, their attendance details on meetings of various mandatory committees and on the Governing Board of the Company, performance review and the reasons for extension of term.

### **3. Tenure**

- i. Public Interest Directors shall be appointed subject to a maximum age limit of seventy-five years.
- ii. Public Interest Directors shall be appointed for a term of three years and reappointed for another term of three years, subject to performance review as specified by the SEBI and prior approval of SEBI.
- iii. The existing public interest director may continue holding the post for a maximum period of three months from the date of expiry of their term, or till a new public interest director is appointed, whichever is earlier, only if the governing board does not meet the mandatory regulatory requirements on its composition.

### **4. Retirement**

The Public Interest Director shall retire as per the applicable provisions of the Companies Act, D&P Regulations and the prevailing policy of the Company, subject to a maximum age limit of seventy-five years.

**TERMS OF APPOINTMENT AND RETIREMENT OF KEY MANAGEMENT  
PERSONNEL**

**1. Appointment Criteria and Qualifications**

- i. The KMP shall fulfil the criteria of fit and proper person.
- ii. Any appointment and re-appointment of a Key Management Personnel of the Company shall be subject to the approval of the NRC.

**2. Tenure**

- i. The tenure of the Key Management Personnel, other than MD & CEO, shall be for such period as may be decided by the NRC in accordance with the internal policies of the Company.
- ii. The tenure of a Key Management Personnel, other than a director, in a regulatory department, shall be for a fixed period, as may be decided by the NRC.

**3. Retirement**

The Key Management 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 Management Personnel in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

**4. Remuneration**

- i. The remuneration to be paid to the Key Management Personnel, and Senior Management shall be recommended by the NRC to the Board and governed by the conditions laid down in the Articles of Association of the Company or as per the provisions of the Companies Act or Depository Regulations.
- ii. The remuneration payable to the Key Management Personnel shall be subject to following conditions.
  - a. The variable pay component shall be within a range of 25% to 50% of total pay.

b. Fifty percent of the variable pay shall be paid on a deferred basis after a minimum period of three years.

c. ESOPs and other equity linked instruments in the Company shall not be offered or provided as part of the compensation for the key Management personnel.

d. The remuneration shall be subject to malus and claw back arrangement

iii. Apart from the above, the NRC shall take into consideration the following:

a. Financial condition / health of the Company;

b. Average levels of compensation payable to employees in similar ranks;

c. Shall not contain any provisions regarding incentives to take excessive risks over the short term;

d. Revenues, net profit of the Company;

e. Comparable to the industry standards;

f. Role and responsibilities of the key management personnel;

g. Periodic review