STAKEHOLDERS EMPOWERMENT SERVICES (SES)

ANALYSE | EDUCATE | EMPOWER

Proxy Advisory Report | Addendum - II

Central Depository Services (India) Ltd

ABOUT SES

Stakeholders Empowerment Services (SES) is a Proxy Advisory and Corporate Governance Research Company. SES assists investors to analyze compliance and governance practices including matters relating to sustainability, prevalent at listed entities and empower investors to undertake meaningful engagement with Investee entities.

COMPANY INFORMATION

NSE SYMBOL: CDSL

ISIN: INE736A01011

Industry: Depositories Clearing Houses and Other Intermediaries

Email: shareholders@cdslindia.com

Phone: +91 22 6234 3000 / 3001

Registered Office: Unit No. A-2501, Marathon Futurex, Mafatlal Mills Compound, N. M. Joshi Marg, Lower Parel (East), Mumbai – 400 013.

Website: www.cdslindia.com

MEETING DETAILS

Meeting Type: AGM

Meeting mode: Video Conference (VC) or Other Audio-Visual Means (OAVM)

Meeting Date: 30th July, 2026 at 11:00 A.M.

Notice Date: 25th June, 2026

Notice: Click here

Annual Report: FY 2025-26

SES PA Report (Last AGM): Report

E-VOTING DETAILS

e-Voting Platform: LINKINTIME

Cut-off Date: 23rd July, 2026

Remote E-voting:

- **Start**: 27th July, 2026
- **Ends**: 29th July, 2026

ADDENDUM RELEASE DATE: 26th July, 2026

Research Analyst: Vinod Kalbi

Conflict Disclosure: SES - No | Analyst - No

ADDENDUM - II

There is no change in the SES Recommendations on any resolution. However, shareholders may take note of the Company's clarification and SES' comments thereon.

BACKGROUND

SES as per its policy, had emailed its PA Report (Weblink) to the Company on 20th July, 2026 in respect of the AGM of the Company.

Post release of PA Report, SES received an email from the Company on 20th July, 2026. On the basis of same, SES had issued an Addendum Report on 23rd July, 2026, where there was no change in SES' Recommendations. (Weblink)

Further, Post release of Addendum Report, SES received another email from the Company on 24th July, 2026. The Company, through the email, provided its view point, which is reproduced at the last in *blue text*.

It may be noted that the emails of the Company (as per SES policy framed to comply with SEBI Circular dated 3rd August, 2020 SEBI/HO/IMD/DF1/CIR/P/2020/147) have already been forwarded to SES clients as it is, without any inputs from SES.

This Addendum provides appropriate responses of SES, wherever required.

SES COMMENTS TO COMPANY'S RESPONSE

Company's Views: (in Blue colour) & SES Comments: (in Black colour)

At the outset, we acknowledge that SES Governance has taken note of the clarification submitted by the Company and has also recorded that the proposed appointments are being made pursuant to SEBI's framework requiring separate heads for Verticals 1 and 2, that SEBI has approved the proposed appointments, and that SES Governance has no concern with the merit and profile of the proposed appointees. We further note that SES Governance has also acknowledged that the framework aims to improve compliance and governance at Market Infrastructure Institutions and that there is no governance issue in the present case, considering that the Directors pass through regulatory screening and are appointed for a limited tenure.

In this context, we would like to once again respectfully submit that the appointments of Shri Amit Mahajan and Smt. Nayana Ovalekar have been made after obtaining the prior approval of SEBI and are for a fixed term of five years, as approved by SEBI. The resolutions have additionally been placed before the shareholders for ratification in accordance with the applicable legal and regulatory requirements.

We note that SES Governance has continued to maintain its concern on the premise that the proposed appointments, being non-retiring in nature, may result in non-compliance with the Board composition requirements under Section 152(6) of the Companies Act, 2013. In this regard, the Company respectfully differs from the said observation. The appointments of Executive Directors in a Market Infrastructure Institution are governed by a specialized regulatory framework prescribed by SEBI under the SEBI (Depositories and Participants) Regulations, 2018, and the continuation, renewal and termination of such appointments are subject to regulatory oversight and prior approval of SEBI

Regulation 26A(3) of the SEBI (Depositories and Participants) Regulations, 2018 provides that the process of appointment, renewal of appointment and termination of services of Executive Directors shall be similar to that of the Managing Director, subject to the applicable provisions and prior approval of the Board / SEBI, as applicable. Further, Regulation 26(3) provides that the Managing Director shall be appointed for a term of up to five years or until attaining the maximum age of sixty-five years, whichever is earlier, subject to prior approval of SEBI. In accordance with the aforesaid framework, SEBI has approved the appointments of Shri Amit Mahajan and Smt. Nayana Ovalekar for fixed terms.

The aforesaid provisions clearly recognize Executive Directors as a distinct class of directors whose appointment, continuation and cessation are governed by a specific regulatory framework akin to that applicable to Managing Directors and subject to SEBI oversight.

As a matter of established company law practice, Managing Directors are generally categorized as non-rotational directors and are not liable to retire by rotation, subject to the provisions of the Articles of Association and the applicable statutory framework.

We also note that SES Governance has referred to the outcome of the SEBI Board Meeting dated September 12, 2025 and the relevant SMAC recommendation to support its view that Executive Directors should continue to be subject to retirement by rotation. However,

based on the publicly available outcome referred to by the Company, Item No. 15 records, inter alia, that the process of appointment and removal of Executive Directors shall mirror the extant process applicable to the Managing Director. The said outcome does not specifically state that such Executive Directors shall be liable to retire by rotation.

Accordingly, in the Company's respectful view, the appointments of Shri Amit Mahajan and Smt. Nayana Ovalekar cannot be examined only through the general lens of retirement by rotation applicable under the Companies Act, 2013, without giving due consideration to the specialized regulatory framework applicable to Market Infrastructure Institutions. The tenure of Executive Directors in such institutions is approved by SEBI for a specified period with the objective of ensuring continuity, stability and effective governance, particularly where such Executive Directors head critical verticals under the regulatory framework.

It is also pertinent to reiterate that SES Governance has not identified any concern with respect to the profile, merit, capability, remuneration or time commitment of the proposed appointees, and has acknowledged that the appointments are intended to strengthen governance standards within Market Infrastructure Institutions. The concern raised by SES Governance is therefore limited to its interpretation of the applicability of retirement by rotation provisions, whereas the Company's position is founded on the specific SEBI-approved tenure and the specialized regulatory framework applicable to Executive Directors of Market Infrastructure Institutions.

In view of the above, the Company respectfully submits that Resolution Nos. 4 and 5 have been proposed in compliance with the applicable regulatory requirements and have been placed before the shareholders for ratification in accordance with law. The Company therefore respectfully requests SES Governance to reconsider its recommendation on Resolution Nos. 4 and 5 in light of the aforesaid clarifications, the prior approval granted by SEBI, and the specialized regulatory framework governing the appointment and tenure of Executive Directors in Market Infrastructure Institutions.

SES Comments:

Largely, SES' stance remains as it is as already communicated and discussed in Addendum Report on page #3.

SES re-iterates that, it fully understands that the appointments are pursuant to a framework that aims to improve compliance and governance at MIIs which SES considers to be a good measure. However, SES also opines that, unless MCA gives explicit permission that Md/ EDs are exempted from purview of Section 152 of the Act, exemption cannot be implied.

Further, to the Company's statements that 'MDs are generally categorised as Non-Rotational directors', is neither denied nor endorsed by SES. As in our long history of proxy advisory, we have seen multiple, or would hundreds of cases, where MDs are appointed for fixed terms and are also rotational directors. SES has not found any law related to MIIs where it is explicitly stated that Section 152 will not apply. It is also important to note that neither the Companies Act nor the SEBI Listing Regulations exempt Managing Directors from the ambit of provisions under section 152 of the Companies Act, 2013. It so happens that even if MD is non-retiring there is no non-compliance as MD can be accommodated under 1/3rd Non-Retiring directors' quota. If MIIs have to make other EDs non-retiring, in that case it has to have 6 retiring directors, with 50% PIDs the Board would need 18 directors.

Furthermore, the Company has referred to a SEBI Meeting document, which does not address the requirement of EDs being liable to retire by rotation or not under the MIIs framework. (Weblink to Relevant Document)

However, the emphasis is drawn to a document titled 'Provisions relating to Strengthening Governance of Market Infrastructure Institutions (MIIs)', which was referred and addressed by SES in its Addendum Report. (Weblink to Relevant Document)

Under the above document, it is provided that the proposal was also deliberated to Secondary Market Advisory Committee of SEBI (SMAC) meeting on August 19, 2025. Below is the excerpt of the SMAC Recommendation (in **Green**) and SEBI Decision (in **Blue**):

As the EDs shall be part of the MII management heading Vertical 1 and 2, they may not be liable to retire by rotation like shareholder directors. (However, since this would mark a departure from what is specified in respect of the MD, the same is not being accepted.)

The memorandum was clear that while SMAC proposed that EDs should not be subject to retirement by rotation provisions, since SEBI did not accept the recommendation in line with what they decided for MDs, the regulations ultimately did not provide for any exemption for EDs as well. Hence, the retirement by rotation provisions are not exempted for MDs or EDs of the Company. Accordingly, the concerns raised by SES continues to prevail.

SES understand dilemma of the Company and solution to this lies only at the doors of SEBI, who has to unequivocally or in unambiguous manner has to clarify the position and interpretation of law. SES interprets that Section 152 is applicable, whereas CDSL interprets otherwise. Nonetheless, shareholders may take note of the Company's clarification along with SES' Response and take informed voting decision accordingly.

COMPANY'S EMAIL

*Dear ***,*

We refer to the addendum report issued by SES Governance in relation to the voting recommendation report for the forthcoming Annual General Meeting of Central Depository Services (India) Limited scheduled to be held on July 30, 2026, particularly with respect to Resolution Nos. 4 and 5 pertaining to the appointments of Shri Amit Mahajan and Smt. Nayana Ovalekar as Whole-time Directors / Executive Directors on the Governing Board of the Company.

At the outset, we acknowledge that SES Governance has taken note of the clarification submitted by the Company and has also recorded that the proposed appointments are being made pursuant to SEBI's framework requiring separate heads for Verticals 1 and 2, that SEBI has approved the proposed appointments, and that SES Governance has no concern with the merit and profile of the proposed appointees. We further note that SES Governance has also acknowledged that the framework aims to improve compliance and governance at Market Infrastructure Institutions and that there is no governance issue in the present case, considering that the Directors pass through regulatory screening and are appointed for a limited tenure.

In this context, we would like to once again respectfully submit that the appointments of Shri Amit Mahajan and Smt. Nayana Ovalekar have been made after obtaining the prior approval of SEBI and are for a fixed term of five years, as approved by SEBI. The resolutions have additionally been placed before the shareholders for ratification in accordance with the applicable legal and regulatory requirements.

We note that SES Governance has continued to maintain its concern on the premise that the proposed appointments, being non-retiring in nature, may result in non-compliance with the Board composition requirements under Section 152(6) of the Companies Act, 2013. In this regard, the Company respectfully differs from the said observation. The appointments of Executive Directors in a Market Infrastructure Institution are governed by a specialized regulatory framework prescribed by SEBI under the SEBI (Depositories and Participants) Regulations, 2018, and the continuation, renewal and termination of such appointments are subject to regulatory oversight and prior approval of SEBI

Regulation 26A(3) of the SEBI (Depositories and Participants) Regulations, 2018 provides that the process of appointment, renewal of appointment and termination of services of Executive Directors shall be similar to that of the Managing Director, subject to the applicable provisions and prior approval of the Board / SEBI, as applicable. Further, Regulation 26(3) provides that the Managing Director shall be appointed for a term of up to five years or until attaining the maximum age of sixty-five years, whichever is earlier, subject to prior approval of SEBI. In accordance with the aforesaid framework, SEBI has approved the appointments of Shri Amit Mahajan and Smt. Nayana Ovalekar for fixed terms.

The aforesaid provisions clearly recognize Executive Directors as a distinct class of directors whose appointment, continuation and cessation are governed by a specific regulatory framework akin to that applicable to Managing Directors and subject to SEBI oversight. As a matter of established company law practice, Managing Directors are generally categorized as non-rotational directors and are not liable to retire by rotation, subject to the provisions of the Articles of Association and the applicable statutory framework.

We also note that SES Governance has referred to the outcome of the SEBI Board Meeting dated September 12, 2025 and the relevant SMAC recommendation to support its view that Executive Directors should continue to be subject to retirement by rotation. However, based on the publicly available outcome referred to by the Company, Item No. 15 records, inter alia, that the process of appointment and removal of Executive Directors shall mirror the extant process applicable to the Managing Director. The said outcome does not specifically state that such Executive Directors shall be liable to retire by rotation.

Accordingly, in the Company's respectful view, the appointments of Shri Amit Mahajan and Smt. Nayana Ovalekar cannot be examined only through the general lens of retirement by rotation applicable under the Companies Act, 2013, without giving due consideration to the specialized regulatory framework applicable to Market Infrastructure Institutions. The tenure of Executive Directors in such institutions is approved by SEBI for a specified period with the objective of ensuring continuity, stability and effective governance, particularly where such Executive Directors head critical verticals under the regulatory framework.

It is also pertinent to reiterate that SES Governance has not identified any concern with respect to the profile, merit, capability, remuneration or time commitment of the proposed appointees, and has acknowledged that the appointments are intended to strengthen governance standards within Market Infrastructure Institutions. The concern raised by SES Governance is therefore limited *to its interpretation of the applicability of retirement by rotation provisions, whereas the Company's position is founded on the specific SEBI-approved tenure and the specialized regulatory framework applicable to Executive Directors of Market Infrastructure Institutions.*

In view of the above, the Company respectfully submits that Resolution Nos. 4 and 5 have been proposed in compliance with the applicable regulatory requirements and have been placed before the shareholders for ratification in accordance with law. The Company therefore respectfully requests SES Governance to reconsider its recommendation on Resolution Nos. 4 and 5 in light of the aforesaid clarifications, the prior approval granted by SEBI, and the specialized regulatory framework governing the appointment and tenure of Executive Directors in Market Infrastructure Institutions.

We trust that the above clarification adequately addresses the observations contained in the addendum report issued by SES Governance. Should you require any further information or clarification, we would be pleased to provide the same.

Regards,

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Disclaimer

Sources

Only publicly available data has been used while making the report. Our data sources include Notice of Shareholders' Meeting, BSE, NSE, SEBI, Capitaline, MCA, Moneycontrol, Businessweek, Reuters, Annual Reports, Sustainability Reports, IPO Documents and Company Website.

Analyst Certification

The Analyst(s) involved in development of this Report certify that no part of the Research Analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the Research Analyst(s) in this Report. The concerned Research Analyst(s) and Director(s) do not have any pecuniary relationship with the Reported Company, except that they may be holding miniscule shares in the Company which does not impact their independence in respect of this Report.

SES may be a shareholder in the Company holding equity shares as disclosed on its website. The objective of SES' investment is solely to obtain Shareholders' communications from the Company as a shareholder.

CAUTIONARY STATEMENT

The recommendations made by SES are based on publicly available information and conform to SES's stated Proxy-Advisory Guidelines. SES opinion is based on SES's interpretation of law and governance benchmarks, which may differ from opinion/ benchmarks of other analysts or practitioners. Further, SES analysis is recommendatory in nature and reflects how SES would have voted if it was a shareholder. Therefore, SES expects that the clients will evaluate the effect of their vote on their investments independently and diligently and will vote accordingly. Subscribers may also carry out an impact analysis of their votes and keep the same as an addendum for their records. In our opinion, Institutional investors are positioned significantly differently from other shareholders due to their ability to engage with the board and the management to bring out desired result. As a firm, it is our endeavour to improve the level of corporate governance while not causing any disruption in company's proceedings and therefore we respect the independence of investors to choose alternate methods to achieve similar results.

Disclaimer

While SES has made every effort, and has exercised due skill, care and diligence in compiling this report based on publicly available information, it neither guarantees its accuracy, completeness or usefulness, nor assumes any liability whatsoever for any consequence from its use. This report does not have any approval, express or implied, from any authority, nor is it required to have such approval. The users are strongly advised to exercise due diligence while using this report.

This report in no manner constitutes an offer, solicitation or advice to buy or sell securities, nor solicits votes or proxies on behalf of any party. SES, which is a not-for-profit initiative or its staff, has no financial interest in the companies covered in this report except for what is disclosed on its website. The report is released in India and SES has ensured that it is in accordance with Indian laws. Person resident outside India shall ensure that laws in their country are not violated while using this report; SES shall not be responsible for any such violation.

All disputes shall be subject to jurisdiction of High Court of Bombay, Mumbai.

Concern terminology

NC – Compliance Concern: *The Company has not met statutory compliance requirements*

FC – Fairness Concern: *The Company has proposed steps which may lead to undue advantage to a particular class of shareholders and can have adverse impact on non-controlling shareholders including minority shareholders*

GC – Governance Concern: *SES questions the governance practices of the Company. The Company may have complied with the statutory requirements in letter. However, SES finds governance issues as per its standards.*

TC - Disclosures & Transparency Concern: *The Company has not made adequate disclosures necessary for shareholders to make an informed decision. The Company has intentionally or unintentionally kept the shareholders in dark.*

Company Information

Stakeholders Empowerment Services

SEBI Reg. No. INH000000016
CIN No. - U74120MH2012NPL232154

Contact Information

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Warning

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.