CONTINENTAL SECURITIES LIMITED

Policy on Nominations & Remuneration for Directors, Key Managerial Personnel and Senior Management

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INTRODUCTION

The Board of Directors of Continental Securities Limited ("the Company"), in view of enforcement of Companies Act, 2013 read with rules framed thereunder and to align with the objectives and goals of the Company with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended time to time) (Listing Regulations), framed the Nomination and Remuneration Policy. From regulatory perspective this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management of the Company is in line with the Companies Act, 2013, provisions of Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015 and Guidelines on Compensation of Key Managerial Personnel and Senior Management in NBFCs issued by Reserve Bank of India (RBI) vide circular dated RBI/2022-23/36 DOR.GOV.REC.No.29/18.10.002/2022-23 on April 29, 2022 ("RBI Guidelines") and Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions, 2025, as amended from time to time.

DEFINITIONS:

A. Committee shall mean the Nomination & Remuneration Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Companies Act, 2013.

B. Independent Directors means Directors who has been appointed by Company in terms of Section 149 of Companies Act, 2013 and Regulation 16 of Securities Exchange Board of India (Listing Obligation and Disclosure Requirements) Regulations, 2015.

C. Key Managerial Personnel (KMP) in relation to Company means as defined under section 2(51) of Companies Act, 2013, as amended from time to time and includes the following :
i. Managing Director or Executive Director
ii. Chief Executive Officer,
iii. Company Secretary,
iv. Whole-time Director,
v. Chief Financial Officer and
vi. 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
vii. Such other officer as may be prescribed under the Companies Act, 2013.

Other Employees means employees of the Company as may be identified by the Nomination and Remuneration Committee for purpose of this policy.

D. Senior Management Personnel (SMP) shall have the same meaning as assigned to it under Regulation 16 of the SEBI (Listing Obligation & Disclosure Requirements), Regulations, 2015 and as may be amended from time to time.

Any other term not defined herein shall have the same meaning as defined in the Companies Act, 2013, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, or any other applicable law/regulation/rules.

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APPLICABILITY:

In view of the definitions given above, the policy is applicable on all Directors, Key managerial Personnel, Senior Management and other employees of the Company. NRC may on annual basis review the list of KMPs and SMPs identified based on their role and responsibilities.

KEY AREAS OF THE POLICY:

➢ Framework for payment of remuneration to the directors (Executive and Non-Executive), Key Managerial Personnel, Senior Management Personnel and other employees;

➢ Laying down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial cadres and to determine their remuneration.

➢ To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies & industry.

➢ To ascertain the fit and proper criteria in respect of the Directors at the time of appointment and on a continuing basis as per the policy of the company in the same regard.

➢ To carry out evaluation of the performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

➢ Ensure that the level and composition of remuneration is reasonable and sufficient to retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

CONSTITUTION OF THE NOMINATIONS AND REMUNERATION COMMITTEE:

The Nomination and Remuneration committee of the Company shall be comprised of at least three non-executive directors out of which at least 2/3rd of the directors shall be independent directors, as may be re-constituted by the Board from time to time.

GENERAL

The Policy is divided into three parts:

- **Part – A** covers the matters to be dealt with and recommended by the Nomination and Remuneration Committee to the Board
- **Part – B** covers the Appointment and Nomination and
- **Part – C** covers remuneration and perquisites etc.
- The key features of this Company's policy shall be included in the Board's Report and shall also be disclosed on the website of the company.

PART – A

MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED BY THE NOMINATION AND REMUNERATION COMMITTEE TO THE BOARD

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director;

- For every appointment of an Independent Director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board 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 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:
• Use the services of an external agencies, if required;
• Consider candidates from a wide range of backgrounds, having due regard to diversity; and
• Consider the time commitments of the candidates.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy;
- Formulate the criteria for evaluation for performance of Independent directors and the board of directors;
- devising on diversity of board of directors; to achieve success, a diverse board of directors must include a variety of perspectives, skills, ages, genders, cultures, and ethnicities.
- Ensure that there is no conflict of interest in appointment of directors, KMPs and SMPs;
- whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- Recommend to the Board, appointment, reappointment and removal of Director and KMP and Senior Management Personnel;
- Oversee the framing, review and implementation of Remuneration policy
- Work with Risk Management Committee (RMC) to achieve alignment of between remuneration and risks of KMPs and SMPs
- Ensure that the remuneration levels are supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP).
- Recommend to the board, all remuneration, in whatever form, payable to Directors, KMPs and SMPs.
- Framing suitable policies and systems to ensure that there is no violation by any Employee of any applicable laws in India or overseas, including:
(a) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015, (SEBI PIT Regulations);
(b) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003 and
(c) Performing such other activities as may be delegated by the Board and/or are statutorily prescribed under any law to be attended by the Nomination and Remuneration Committee.

<u>PART – B</u>

<u>POLICY FOR APPOINTMENT INCLUDING RE-APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT</u>

i. CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES AND INDEPENDENCE OF A DIRECTOR FOR APPOINTMENT / REAPPOINTMENT:

❖ **DIRECTORS**

As per the RBI Master Directions, the Nomination Policy of the Company to ensure 'fit and proper" status of the proposed/ existing Directors. The policy on the fit and proper criteria shall be on the lines of the guidelines contained in RBI Master Directions. In order to streamline and bring in uniformity in the process of due diligence, while appointing Directors, the Company shall ensure that the procedures mentioned below are followed and minimum criteria fulfilled by the persons before they are appointed on the Boards:

a) The Company should undertake a process of due diligence to determine the suitability of the person for appointment/ continuing to hold appointment as a Director on the Board, based upon qualification, expertise, track record, integrity and other 'fit and proper' criteria. The Company shall obtain necessary information and declaration from the proposed/ existing Directors for the purpose in the format given in the RBI Master Directions.
b) The process of due diligence should be undertaken by the company at the same time of appointment/ renewal of appointment.
c) The Board of the Company should constitute Nomination Committee to scrutinize the declarations
d) Based on the information provided in the signed declaration, Nomination Committee should decide on the acceptance or otherwise of the Directors, where considered necessary.
e) The Company should obtain annually as on 31st March, a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, requisite details are furnished by them forthwith within 15 days.
The Company shall not appoint or continue the employment of any person as Managing Director / Whole time Director who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

In the case of Non- Executive Director, as per SEBI (Listing Obligation and Disclosure Requirements) (Third Amendment) Regulations, 2024, The Company shall appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventyfive years unless a special resolution is passed to that effect, in such case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

Provided that the company shall ensure compliance with this regulation at the time of appointment or re-appointment or any time prior to the non-executive director attaining the age of seventy- five years.

❖ **INDEPENDENCE OF DIRECTOR**

The candidate shall be evaluated based on the criteria provided under the applicable laws including Companies Act, 2013 read with Rules thereon and the SEBI Listing Regulations, 2015 with the Stock Exchanges. Each director has an affirmative obligation to inform the Board of any change in circumstances that may put his/her independence at issue.

The director's independence for the independent director will be determined by the Board on an annual basis upon the declarations made by such director as per the provisions of the Companies Act, 2013 read with Rules thereon and the SEBI Listing Regulations, 2015.

❖ **KEY MANAGERIAL PERSONNEL ('KMP') AND SENIOR MANAGEMENT ('SMP')**

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as KMP recommend to the Board his / her appointment and the Committee shall lay down the manner of appointment of senior management and recommend the same to the board for its approval on the basis of which the appointment of senior management shall be done.

A person should possess adequate qualification, expertise and experience for the position for which he / she is being considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.

ii. TERM / TENURE

❖ **Managing Director/Whole-time Director**

The Company shall appoint or re-appoint any person as Managing Director or Whole time Director for a term not exceeding five years at a time in terms of applicable provisions of Companies Act, 2013. Further, No re-appointment shall be made earlier than one year before the expiry of term.

❖ **Independent Director**

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and shall be eligible for re-appointment on passing of a special resolution by the Company, recommendation of committee based on the report of performance evaluation of Independent director and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. An Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole Time Director of a listed Company.

❖ **Key Managerial Personnel / Senior Management**

Upon recommendation of Nomination and Remuneration Committee and based on the criteria laid down by said committee for appointment of senior management, the KMPs or senior management may be appointed for such period and on such term as may be approved by the Board or as per criteria approved by the board, respectively.

iii. EVALUATION

The Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.

The Evaluation process may be carried out as per the SEBI guidelines vide SEBI CIRCULAR NO. SEBI/HO/CFD/CMD/CIR/P/2017/004, Dated January 5, 2017 on Guidance Note on Board Evaluation or by such other procedure as the Committee may deem fit for evaluation process.

●Criteria for the Evaluation of a Board as a whole
1. Board Composition & Quality;
2. Board and Management Relations;
3. Board Meeting & Procedures;
4. Board Strategy and Risk Management;
5. Grievance Redressal for Investors;
6. Conflict of Interest;
7. Stakeholder Value and responsibility;
8. Corporate Cultures & Values;
9. Review of Board Evaluation;
10. Facilitation of Independent Directors;

●Criteria for the Evaluation of Board Committee
1. Structure of the Committee and meetings;
2. Mandate & Composition;
3. Effectiveness of the committee;
4. Independence of the Committee from the Board;
5. Contribution to decisions of the Board;

●Criteria for Non- Executive Directors
1. Knowledge & Skill
2. DILIGENCE & PARTICIPATION
3. Leadership
4. Managing Relationship

●Criteria for Independent Directors
1. Independence
2. Knowledge & Participation

●Criteria MD & WTD
1. Leadership
2. Performance
3. Value Creation
4. Governance & Compliance

iv. REMOVAL
Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations or as per the employment agreement (if any) the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

v. RETIREMENT

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing HR policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, subject to necessary compliances.

PART – C POLICY RELATING TO THE REMUNERATION FOR THE DIRECTOR, KMPs, SMP AND OTHER EMPLOYEES

i. PRINCIPLES OF REMUNERATIONS

a) The remuneration structure will be determined by the Nomination and Remuneration Committee who will ensure that:

▪ The level of remuneration is supported by the need to retain earnings of the company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Procedure (ICAAP);

▪ The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors, KPMs and SMPs of the quality required to efficiently run the company successfully;

▪ Remuneration components are aligned effectively with prudent risk taking to ensure that remuneration is adjusted for all types of risk taking;

▪ Remuneration outcomes are symmetric with risk outcomes;

▪Specifically for Executive Directors, KMPs and SMPs:

o Remuneration pay-outs are sensitive to the Time Horizon of the Risk
o The mix of cash, equity and other forms of remuneration will be consistent with risk alignment

b) NRC may revisit the principles basis industry and regulatory context, company context and emerging best practices from time to time

ii. REMUNERATION OF MANAGING DIRECTOR / WHOLE TIME DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL

The remuneration / compensation / commission etc. to the Managing Director / Whole-time Director, shall be recommended by the Nomination and Remuneration Committee to the Board for approval and further recommendation to the Shareholder's for their approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

The remuneration and commission to be paid to the Managing Directors /Whole-time Director shall be as per approval of shareholders of Company or Central Government in terms of the provisions of the Companies Act, 2013, and the rules and Schedule made thereunder, as applicable from time to time.

Where any insurance is taken by the Company on behalf of its Directors, KMP and any 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.

➢ **Minimum Remuneration**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director or Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

iii. REMUNERATION OF NON- EXECUTIVE DIRECTORS AND INDEPENDENT DIRECTORS

●The Non-Executive Directors and Independent Directors will receive sitting fees / commission as per the provisions of the Act and in compliance with the provisions of the Listing Regulations. The amount of the sitting fees will not exceed the ceiling / limit under the Act. An Independent Director will not be eligible to any stock option of the Company.

●The Board of Directors will from time-to-time fix the sitting fees for attending the meetings of the Board and its Committees on the recommendations of the Committee. The Board of Directors has fixed the sitting fees payable to Directors for attending the Meetings of the Board and its respective Committees.

●The Non-Executive Directors and Independent Directors will be paid commission in aggregate an amount of 1% of the standalone Net Profit of the Company in the financial year as calculated in terms of Section 198 read with Section 197 of the Act. The Commission to Non-Executive Directors and Independent Directors will be paid on a uniform basis to reinforce the principle of collective responsibility. If a Non-Executive Director or Independent Director works as such only for a part of the year, he will be paid commission for the relevant financial year on a proportionate basis for the period during which he held the post of such Director. The commission will be payable only after the Annual Audited Financial Statements are approved by the Shareholders at the Annual General Meeting of the Company. The Non-Executive Directors and Independent Directors may forgo receiving of commission / sitting fees by making a request to the Board.

iv. REMUNERATION OF OTHER EMPLOYEES

The remuneration including revision in remuneration of other employees shall be decided by the Board of Directors in consultation with the Manager (HR) within the overall framework of compensation and appraisal policy of the Company.