

NOMINATION AND REMUNERATION POLICY

1. Background

This Nomination and Remuneration Policy ("Policy") has been formulated and adopted by the Nomination and Remuneration Committee ("NRC") and the Board of Directors ("Board") of **Chhotaria Securities Pvt. Ltd.** ("the Company"). The Policy sets out the framework for appointment, remuneration, evaluation, and succession planning of Directors, Key Managerial Personnel ("KMP") and Senior Management of the Company.

This Policy is framed in accordance with the applicable provisions of the **Companies Act, 2013**, rules made thereunder, relevant **SEBI regulations**, and the applicable **Reserve Bank of India (RBI)** guidelines and directions governing Non-Banking Financial Companies, as amended from time to time. The Policy also takes into consideration the RBI's guidelines on compensation of KMPs and Senior Management, including principles relating to governance, risk alignment, and performance-based remuneration.

Further, as required under Section 134 of the Companies Act, 2013, the Board's Report is required to disclose the Company's policy on appointment and remuneration of Directors, including criteria for determining qualifications, positive attributes, independence of Directors, and remuneration of KMPs and other employees. This Policy is intended to ensure transparency, consistency, and fairness in such matters and to support sound corporate governance practices within the Company.

2. Objective

The objective of this Nomination and Remuneration Policy is to establish a structured, transparent, and consistent framework for matters relating to appointment, remuneration, evaluation, and succession planning of Directors, Key Managerial Personnel ("KMP") and Senior Management of **Chhotaria Securities Pvt. Ltd.**..

This Policy aims to achieve the following objectives:

- To identify, assess, and recommend individuals who are qualified and suitable to be appointed as Executive Directors, Non-Executive Directors, Independent Directors, KMPs, and Senior Management, based on defined criteria relating to qualifications, experience, integrity, and competence.
- To lay down clear standards for determining positive attributes, independence, and suitability of Directors and senior leadership, ensuring compliance with applicable laws and regulatory expectations.
- To evaluate the performance of the Board, its Committees, individual Directors (including Independent Directors), KMPs, and Senior Management in a fair and objective manner.
- To ensure that the remuneration structure is competitive and aligned with the Company's objectives, enabling the Company to attract, motivate, and retain competent leadership and managerial talent.

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- To maintain a clear linkage between performance and remuneration, ensuring that compensation reflects both short-term and long-term performance goals of the Company.
- To ensure an appropriate balance between fixed pay and variable or performance-linked incentives, in line with prudent risk management and the overall financial position of the Company.
- To establish and periodically review a robust succession planning framework for the Board of Directors, KMPs, and Senior Management, ensuring continuity in leadership and smooth functioning of the Company.
- To promote sustainable growth, long-term value creation, and strong corporate governance by adopting fair and responsible remuneration and nomination practices.

3. Definitions

For the purpose of this Nomination and Remuneration Policy, unless the context otherwise requires, the following terms shall have the meanings assigned to them below. Words and expressions not specifically defined herein shall have the meanings assigned to them under the applicable laws and regulations.

3.1 Applicable Laws

Applicable Laws shall mean the **Companies Act, 2013**, rules framed thereunder, **Reserve Bank of India (RBI)** directions, circulars, guidelines, notifications, and all other statutes, regulations, orders, judgments, or directives issued by any competent regulatory or statutory authority, as amended from time to time, applicable to the Company and its operations.

3.2 Act

Act means the **Companies Act, 2013** and the rules made thereunder, including any statutory modifications or re-enactments thereof.

3.3 Clawback

“Clawback” refers to the mechanism under which the Company may require an employee to return previously paid variable compensation relating to a specific period, in the event of a misconduct or adverse event, as determined under this Policy. The amount to be recovered shall be the net amount received by the employee.

3.4 Cause Action

“Cause Action” shall include acts such as fraud, wilful misconduct, gross negligence, material breach of Company policies, or any other act or omission that results in financial or reputational harm to the Company.

3.5 Malus

Malus refers to a provision that allows the Company to withhold or reduce unpaid or unvested variable compensation in the event of a Cause Action, without reversing any compensation already paid.

3.6 Key Managerial Personnel (KMP)

“Key Managerial Personnel” shall mean:

- Managing Director, Chief Executive Officer or Manager;
- Chief Financial Officer;
- Company Secretary;
- Whole-time Director;
- Such other officers, not more than one level below the Board of Directors, who are in whole-time employment and are designated as KMP by the Board; and
- Any other officer as may be prescribed by the Ministry of Corporate Affairs, RBI, or any other competent authority under applicable laws.

3.7 Senior Management

“Senior Management” shall mean the officers and personnel of the Company who form part of the core management team, excluding the Board of Directors. This shall include employees one level below the Managing Director, Whole-time Director, Manager or Chief Executive Officer, including functional heads and other personnel identified by the Company as part of senior leadership.

Unless the context otherwise requires, words and expressions used but not defined in this Policy shall have the meanings assigned to them under the Companies Act, 2013, SEBI regulations, RBI directions, or other applicable laws, as amended from time to time.

4. Composition & Governance

4.1 Constitution of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee (“NRC”) of **Chhotaria Securities Pvt. Ltd.** shall be constituted in accordance with the provisions of **Section 178 of the Companies Act, 2013**, applicable SEBI regulations, and relevant RBI guidelines, as amended from time to time.

The Committee shall consist of a minimum of three (3) Non-Executive Directors. At least two-thirds of the members of the Committee shall be Independent Directors, ensuring independence and objectivity in decision-making.

4.2 Chairperson of the Committee

The Chairperson of the NRC shall be an Independent Director. The Chairperson of the Board, whether Executive or Non-Executive, may be appointed as a member of the NRC but shall not act as the Chairperson of the Committee.

4.3 Secretary to the Committee

The Company Secretary of the Company shall act as the Secretary to the Nomination and Remuneration Committee and shall be responsible for convening meetings, maintaining records, and ensuring proper documentation and compliance.

The NRC shall function in accordance with its terms of reference as approved by the Board and shall discharge its responsibilities in a transparent, ethical, and professional manner, aligned with the Company's governance framework and regulatory requirements.

5. Role of the Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee ("NRC") of **Chhotaria Securities Pvt. Ltd.** shall be responsible for discharging the following duties and functions in accordance with this Policy and applicable laws:

1. To identify and recommend to the Board individuals who are qualified and suitable to be appointed as Directors, Key Managerial Personnel ("KMP"), and Senior Management, and to recommend their appointment, re-appointment, or removal, as may be required.
2. To ensure that all proposed and existing Directors, KMPs, and Senior Management meet the prescribed "fit and proper" criteria and that there is no conflict of interest in their appointment or continuation.
3. To formulate and recommend criteria for determining qualifications, positive attributes, experience, and independence of Directors.
4. To define and implement an effective process for evaluation of the performance of the Board, its Committees, individual Directors, including Independent Directors.
5. To carry out or oversee the performance evaluation of Directors and to develop and review succession plans for the Board, KMPs, and Senior Management.
6. To recommend to the Board a transparent and fair framework for determining remuneration, including salary, incentives, commissions, and other benefits payable to Directors, KMPs, Senior Management, and other employees.
7. To formulate and recommend a policy on Board diversity in accordance with regulatory requirements and best governance practices.
8. To ensure that remuneration structures are aligned with the Company's financial position, risk profile, capital adequacy, and long-term sustainability, including considerations under the Internal Capital Adequacy Assessment Process (ICAAP), wherever applicable.
9. To coordinate, where required, with the Risk Management Committee to ensure effective alignment between compensation structures and risk management objectives.

10. To perform any other functions or responsibilities as may be delegated by the Board from time to time or as required under applicable laws and regulations.

The NRC shall operate under the overall supervision of the Board and shall act in the best interests of the Company while ensuring compliance with regulatory and governance standards.

6. Appointment Criteria and Qualifications

1. Any person proposed to be appointed as a Director, Key Managerial Personnel (KMP), or Senior Management shall possess adequate educational qualifications, professional expertise, relevant experience, integrity, and competence appropriate to the role.
2. The Nomination and Remuneration Committee shall identify and evaluate the integrity, qualification, experience, and skill set of the proposed appointee and recommend such appointment to the Board of Directors.
3. All appointments of Directors, KMPs, and Senior Management shall be made strictly in compliance with the applicable provisions of the Companies Act, 2013, RBI guidelines, SEBI regulations, and other applicable laws.
4. The Company shall not appoint or continue the employment of any person as Managing Director who is below twenty-one (21) years of age or who has attained the age of seventy (70) years, unless such continuation is approved in accordance with applicable legal requirements.
5. The continuation of a Managing Director or Whole-time Director beyond the age of seventy (70) years shall be subject to the approval of the shareholders through a special resolution, wherever required under law.
6. The Company shall ensure compliance with RBI-prescribed "Fit and Proper Criteria" for Directors at the time of appointment and on an ongoing basis.
7. At least one Director on the Board shall have relevant experience in banking or the non-banking financial services sector.
8. The NRC shall periodically review the suitability and eligibility of Directors, KMPs, and Senior Management to ensure continued compliance with regulatory and governance requirements.

7. Independent Director

1. A person proposed to be appointed as an Independent Director shall meet all eligibility and independence requirements prescribed under the Companies Act, 2013, applicable SEBI regulations, and other relevant laws.
2. The Independent Director shall possess appropriate skills, experience, and knowledge in one or more fields such as finance, law, management, administration, marketing, operations, governance, or any other discipline relevant to the Company's business.
3. An Independent Director shall be a person of high integrity and shall uphold ethical standards, fairness, and transparency in all dealings of the Company.

4. The Independent Director shall act objectively and constructively while exercising his or her duties and shall bring independent judgment to Board deliberations.
5. The Independent Director shall devote sufficient time and attention to professional responsibilities to ensure informed and balanced decision-making.
6. The Independent Director shall assist the Company in strengthening corporate governance practices and safeguarding the interests of all stakeholders.
7. An Independent Director shall comply with the limits on directorships as prescribed under the Companies Act, 2013 and applicable SEBI regulations, if any.
8. The NRC shall ensure that the independence of Independent Directors is reviewed at the time of appointment and on a continuing basis.

8. Tenure of Appointment

1. The Company may appoint or re-appoint any person as Managing Director or Whole-time Director for a term not exceeding five (5) years at a time, in accordance with the provisions of applicable laws.
2. The tenure of appointment of Executive Directors shall be subject to retirement by rotation, wherever applicable, as per the Companies Act, 2013.
3. An Independent Director shall hold office for a term as decided by the Board, subject to a maximum period of five (5) consecutive years.
4. An Independent Director shall be eligible for re-appointment for a second term, subject to compliance with the applicable legal and regulatory requirements, and shall not hold office for more than two consecutive terms.
5. All Directors of the Company shall be subject to approval of the shareholders in a general meeting at least once in every five (5) years from the date of their appointment or re-appointment, as applicable.

9. Removal

In the event of any disqualification under the Companies Act, 2013, or any other applicable law, rules, regulations, or in case of breach of the Company's applicable HR policies, the Nomination and Remuneration Committee may, for reasons recorded in writing, recommend to the Board the removal of a Director, Key Managerial Personnel, or Senior Management, subject to compliance with the applicable legal and regulatory provisions.

10. Retirement

The Director, Key Managerial Personnel, and Senior Management of **Chhotaria Securities Pvt. Ltd.** shall retire in accordance with the applicable provisions of the Companies Act, 2013 and the prevailing policies of the Company. The Board of Directors shall have the discretion to continue or retain any Director, Key Managerial Personnel, or Senior Management in the same position, with the same or revised remuneration, even after attainment of the prescribed retirement age, if considered beneficial to the Company, subject to compliance with applicable laws and regulations in force from time to time and in line with the Company's internal policies.

11. Executive Directors

1. At the time of appointment or re-appointment, the remuneration payable to the Executive Directors shall be determined through mutual agreement between the Company and the concerned Director
2. The remuneration of Executive Directors shall be subject to the approval of the shareholders of the Company in a general meeting, wherever required under applicable laws.
3. The remuneration structure of Executive Directors shall broadly comprise fixed pay and variable or performance-linked pay components.
4. The Nomination and Remuneration Committee shall evaluate the performance of the Executive Directors and, based on such evaluation, recommend the remuneration payable to them.

12. Non-Executive Director

1. A Non-Executive Director or Independent Director may be paid sitting fees for attending meetings of the Board of Directors or Committees thereof, subject to the limits prescribed under applicable laws.
2. A Non-Executive Director may be paid commission on an annual basis, as may be approved by the Board of Directors on the recommendation of the Nomination and Remuneration Committee and in accordance with applicable legal provisions.
3. The Nomination and Remuneration Committee may recommend payment of commission to Non-Executive Directors on a uniform basis to promote collective responsibility of the Board.
4. While determining the amount of commission payable, the Nomination and Remuneration Committee shall take into consideration the overall performance of the Company and the responsibilities discharged by the concerned Director.
5. The commission payable to Non-Executive Directors shall be paid on a pro-rata basis to those Directors who have served for only a part of the financial year.

13. Key Managerial Personnel (KMP) & Senior Managerial Personnel

13.1 Principles for Determination of Compensation

1. The remuneration, compensation, and other benefits payable to Key Managerial Personnel and Senior Managerial Personnel shall be determined and approved by the management of **Chhotaria Securities Pvt. Ltd.**, in accordance with this Policy and applicable laws.
2. While approving compensation, due consideration shall be given to maintaining an appropriate balance between short-term and long-term performance objectives of the Company.

3. The compensation structure shall be reasonable and adequate to attract, retain, and motivate competent KMPs and Senior Management personnel.
4. The Nomination and Remuneration Committee may recommend deferment of variable pay payable to KMPs and Senior Management for a financial year, along with justification and proposed deferral period, subject to approval of the Board.
5. For personnel engaged in control and assurance functions such as finance, risk management, internal audit, legal, and compliance, the Company shall ensure independence from business functions, and such roles may have a higher proportion of fixed pay compared to variable pay.
6. No guaranteed bonus shall be paid to KMPs or Senior Management, except in the case of new appointments or sign-on incentives, which shall not form part of fixed or variable pay.
7. The Company may include provisions relating to malus and clawback in the compensation structure of KMPs and Senior Management, in line with applicable RBI guidelines and laws

13.2 Compensation Structure

13.2.1 Total Fixed Pay (TFP)

1. Total Fixed Pay shall include all fixed components of compensation such as basic salary, allowances, perquisites, and contributions towards retirement or superannuation benefits, as specified in the employee's offer or appointment letter.
2. Reimbursable perquisites may also be included as part of fixed pay, provided that clear monetary limits are defined for such reimbursements.

13.2.2 Variable Pay (VP)

3. Variable Pay shall be in the nature of performance-linked incentives or cash bonuses and shall be commensurate with the role, responsibilities, and risk profile of the Key Managerial Personnel and Senior Managerial Personnel.
4. The determination and payout of Variable Pay shall be based on parameters and criteria as approved by the Nomination and Remuneration Committee and the Board of Directors.
5. Except where specifically approved by the Nomination and Remuneration Committee and the Board, the Variable Pay shall not exceed three (3) times the Total Fixed Pay.

13.2.3 Other Benefits

6. Other benefits may include statutory and non-statutory benefits such as health insurance, medical benefits, accident and life insurance, or other benefits, based on the employee's level, role, and experience, as per the Company's policies.

14. Compensation for KMPs and Senior Management in Control and Assurance Functions

Key Managerial Personnel and Senior Management engaged in control and assurance functions, including finance, risk management, compliance, and internal audit, shall be compensated in a manner that ensures independence from the business functions they oversee. Their remuneration shall be aligned with the nature and responsibilities of their roles and shall not be directly linked to the performance of the business areas under their supervision.

15. Grant of ESOPs

The Executive Directors, Non-Executive Directors, Key Managerial Personnel, Senior Management, and other employees of **Chhotaria Securities Pvt. Ltd.**, including those of its subsidiary or holding companies, shall be eligible for grant of Employee Stock Option Plans (ESOPs), subject to compliance with the applicable provisions of law. Independent Directors of the Company shall not be eligible to receive ESOPs.

16. Evaluation

1. The Nomination and Remuneration Committee and/or the Board of Directors shall carry out an annual evaluation of the performance of every Director of the Company.
2. The Committee shall advise and recommend the framework and process to be followed for evaluation of the performance of the Board, its Committees, and individual Directors on a yearly basis.
3. The performance evaluation of Key Managerial Personnel and Senior Managerial Personnel shall be conducted by their respective reporting authorities and functional heads, based on individual performance, business performance, and overall Company performance, and shall be subject to approval of the management.
4. The implementation of malus and clawback provisions shall be applicable to Key Managerial Personnel and Senior Management covered under this Policy, and the terms of their compensation shall stand revised accordingly.
5. The management and/or the Nomination and Remuneration Committee shall review any Cause Action to determine accountability and may decide the extent of forfeiture, reduction, or recovery of variable pay, in accordance with applicable laws and this Policy.

17. Review and Amendment

1. This Nomination and Remuneration Policy shall be reviewed by the management of **Chhotaria Securities Pvt. Ltd.** on an annual basis or earlier, if required.
2. Any changes, modifications, or amendments to this Policy shall be placed before the Board of Directors for approval.
3. The Nomination and Remuneration Committee may issue guidelines, procedures, formats, or reporting mechanisms as may be necessary for effective implementation of this Policy.

4. This Policy may be amended, modified, or substituted by the Nomination and Remuneration Committee or the Board of Directors to give effect to any change in applicable laws, regulatory requirements, or governance practices.
5. In case any provision of this Policy is found to be inconsistent with the provisions of the Companies Act, 2013, RBI guidelines, SEBI regulations, or any other applicable law for the time being in force, the provisions of such law shall prevail.

Annexure A – Succession Plan

Framework on Succession Planning

For the purpose of this framework, succession planning shall apply to the identified key positions within **Chhotaria Securities Pvt. Ltd.**, collectively referred to as “Identified Persons”. These shall include:

- **Directors of the Company**, including Independent Directors.
- **Key Managerial Personnel**, including:
 - Chief Executive Officer (CEO)
 - Chief Financial Officer (CFO)
 - Company Secretary
- **Senior Managerial Personnel**, including:
 - Chief Operating Officer (COO)
 - Chief Technology Officer (CTO)
 - Chief Risk Officer (CRO)
 - Chief Compliance Officer (CCO)
 - Chief Information Security Officer (CISO)
 - General Counsel
 - Head of Debt Department
 - Head of Internal Audit
 - Principal Officer
- **Any other person may** be identified by the Nomination and Remuneration Committee and the Board of Directors from time to time.

1. Background

Pursuant to the provisions of Section 178 of the Companies Act, 2013, the Company is required to put in place a succession planning framework for the Identified Persons. The responsibility for formulation, implementation, and periodic review of the succession plan shall vest with the Nomination and Remuneration Committee under this Nomination and Remuneration Policy.

The succession planning framework is intended to ensure leadership continuity and the orderly transition of key roles within **Chhotaria Securities Pvt. Ltd.**, thereby supporting the long-term stability and effective governance of the Company.

2. Objective

1. The succession planning framework aims to identify and develop high-potential individuals and build a strong leadership pipeline to ensure continuity in the Company's key management and governance positions.
2. The Company recognizes the importance of a structured succession planning process to ensure uninterrupted functioning of its operations and governance in the event of retirement, resignation, disability, or any unforeseen circumstances.
3. The objectives of the succession planning framework shall include:
 - o Identifying and recommending suitable candidates to fill vacancies arising in respect of Identified Persons from time to time;
 - o Determining the competency requirements for critical roles and assessing potential successors against such requirements;
 - o Facilitating planned development, training, and learning initiatives to prepare individuals for higher responsibilities;
 - o Ensuring systematic and long-term development of senior management personnel to assume leadership roles when required.

3. Applicability of the Framework

1. This Framework on Succession Planning shall be applicable to all Identified Persons of **Chhotaria Securities Pvt. Ltd.**, as specified under this Annexure.
2. The Nomination and Remuneration Committee shall oversee, review, and monitor the succession plans from time to time and shall recommend suitable actions or changes to the Board of Directors, as and when required.

4. Succession Plan for the Identified Persons

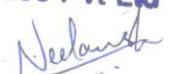
1. The Nomination and Remuneration Committee shall carry out a due diligence process to assess the suitability of any person proposed to be appointed or re-appointed (in the case of Directors) as an Identified Person, taking into account educational qualifications, experience, track record, and integrity.
2. Every Identified Person shall be required to satisfy the "fit and proper" criteria as may be prescribed by the Reserve Bank of India from time to time, and any appointment or re-appointment shall be subject to the prior approval of the Nomination and Remuneration Committee.
3. The Company shall endeavour to fill vacancies in key positions through internal promotions, elevations, or role enhancements, subject to availability of suitable internal candidates.
4. Where suitable internal candidates are not available, the Company may consider external candidates, and necessary steps shall be taken to ensure timely selection to enable smooth transition.
5. The Company's human resource policies and practices shall be designed to provide senior management personnel with exposure across various functional areas to support leadership development and career progression.
6. Each member of the senior management team shall make efforts to mentor and develop potential successors within their teams to ensure continuity of responsibilities in their absence.

7. In the event of an unexpected vacancy in any key position, the next suitable person as per the organizational structure may be assigned interim charge until a permanent appointment is made in accordance with this Framework.

5. Review of the Framework

In the event of any amendments, clarifications, circulars, or directions issued by regulatory or statutory authorities that are inconsistent with the provisions of this Framework, such regulatory provisions shall prevail. Accordingly, this Framework shall stand amended to the extent required, subject to prior or post-facto approval of the Nomination and Remuneration Committee. The Company may replace or modify this Framework with a revised succession planning framework or policy, based on the recommendation of the Nomination and Remuneration Committee and approval of the Board of Directors.

Chhotaria Securities Pvt Ltd


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