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CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

1. CONCEPT AND VISION

The concept of Corporate Social Responsibility has gained prominence from all avenues. CSR covers the entire process by which an organization approaches, defines and develops its relationship with stakeholders for the common good and demonstrates its commitment in this regard by adoption of appropriate strategies and projects. Thus, CSR is going beyond business as usual thereby creating shared value and contributing to social and environmental good.

As a responsible Corporate Citizen, the Company strives for community empowerment through socio-economic development of underprivileged and marginalized sections of society. It's been the Company's endeavour to put more value on bringing social good, which is beneficial to the society and thus making a difference in the livelihood of the people.

In this regard, the Company has made this policy which encompasses the Company's philosophy for delineating its responsibility as a Corporate Citizen and lays down the guidelines and mechanism for undertaking socially useful programmes for welfare & sustainable development of the community at large titled as the "Corporate Social Responsibility (CSR) Policy" pursuant to the Companies Act, 2013 and the rules made thereunder. The Board may upon recommendation of the CSR Committee, amend and/or modify this CSR Policy as and when necessary.

2. DEFINITIONS

"Act" means the Companies Act, 2013

"Board" means the collective body of the Directors of the Company

"Corporate Social Responsibility (CSR)" means and includes but is not limited to –

- (i) Projects or programs relating to activities specified in Schedule VII to the Act; or

- (ii) Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee covering subjects enumerated in Schedule VII of the Act.

“CSR Committee” means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Act.

“Company” means HDFC Securities Limited

“Net Profit” means the net profit of the Company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following, namely:-

- (i) any profit arising from any overseas branch or branches of the Company whether operated as a separate company or otherwise; and
- (ii) any dividend received from other companies in India, which are covered under and complying with the provisions of section 135 of the Act.

Provided that net profit in respect of financial year for which the relevant financial statements were prepared in accordance with the provisions of the Companies Act, 1956 shall not be required to be re-calculated in accordance with the provisions of the Act.

Words and expressions used in this policy and not defined herein but defined under the Act shall have the meanings respectively assigned to them therein.

3. CONSTITUTION, COMPOSITION AND SCOPE OF CORPORATE SOCIAL RESPONSIBILITY COMMITTEE (CSR COMMITTEE)

(a) Constitution and composition of the CSR Committee

The CSR initiatives/activities of the Company will be identified and initiated by the CSR Committee comprising of 3(three) or more Directors out of which at least one Director shall be an Independent Director.

The members of the CSR Committee shall elect one of them as the Chairman of the Committee. The CSR Committee shall recommend to the Board the

amount of expenditure to be incurred by the Company on CSR activities and the Board will ensure that the activities as are included in the CSR Policy are undertaken by the Company subject to and in accordance with the provisions of Section 135 of the Act.

Though the overall supervision, monitoring, guidance will be provided by the CSR Committee, the actual implementation of various initiatives will be broad-based with the involvement of various employees/units of the Company or through implementing agencies like NGOs, Trusts, Section 8 companies or through collaborative projects with other corporates.

The composition of the CSR Committee shall be disclosed in the Board's report.

(b) **Scope of the CSR Committee**

The CSR Committee shall

- (i) formulate and recommend to the Board, the CSR Policy which shall indicate the activities to be undertaken by the Company as specified in Schedule VII
- (ii) recommend the amount of expenditure to be incurred on the activities referred to in the CSR Policy
- (iii) monitor the CSR Policy from time to time.

4. **CORPORATE SOCIAL RESPONSIBILITY ACTIVITIES**

The Company shall upon the recommendation of the CSR Committee and with the necessary approval of the Board, undertake any of the following activities, as a part of its corporate social responsibility initiative, which are defined in Schedule VII of the Companies Act, 2013:

- a. Eradicating hunger, poverty and malnutrition, promoting preventive health care and sanitation and making available safe drinking water;

- b. promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- c. promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- d. ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water;
- e. protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- f. measures for the benefit of armed forces veterans, war widows and their dependents;
- g. training to promote rural sports, nationally recognized sports, paralympic sports and Olympic sports;
- h. contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- i. contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- j. rural development projects.

5. **AMOUNT OF EXPENDITURE TO BE INCURRED ON THE CSR ACTIVITIES:**

- The Company will endeavour to spend the following amounts for CSR activities in pursuance of this Policy
 - i) In every financial year, at least 2(two) per cent of the “average net profits” of the Company made during the 3(three) immediately preceding financial years.

The “average net profits” shall be calculated in accordance with the provisions of section 198 of the Act.

- ii) any income or surplus arising out of the CSR activities.
- Amount spent on CSR activities shall include all expenditure including contribution to corpus for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but will not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Companies Act, 2013.
- Any surplus arising out of the CSR activity will not be part of the business profits of the Company.
- The CSR Committee will approve the expenditure on CSR activities within the monetary limits sanctioned by the Board for such activities.

6. **MODALITIES OF EXECUTION/IMPLEMENTATION**

- CSR activities may be initiated/implemented/executed either:
 - i) by the Company; or
 - ii) through a registered trust, registered society or a company established by the Company or its holding or subsidiary or associate company under Section 8 of the Act. or

- iii) If such trust, society or company is not established by the Company or its holding or subsidiary or associate company, then it shall have an established track record of 3(three) years in undertaking similar programs or projects and the Company has specified the projects or programs to be undertaken through these entities, the modalities or utilization of funds on such projects and programs and the monitoring and reporting mechanism
- iv) the Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR Committees of respective companies are in a position to report separately on such projects or programs in accordance with the rules framed under the Act
- The CSR projects or programs or activities shall be undertaken within India and the Company may give preference to the local area and areas around it where it operates.
 - Contribution of any amount directly or indirectly to any political party under Section 182 of the Act, shall not be considered as CSR activity
 - CSR projects or programs or activities that benefit only the employees of the Company and their families shall not be considered as CSR activities in accordance with section 135 of the Act.
 - CSR activities does not include the activities undertaken in pursuance of normal course of business of a Company.

7. MONITORING OF THE CSR POLICY

The CSR Committee will periodically monitor the implementation of the projects/programs/activities under the CSR Policy and report the progress of CSR initiatives and activities to the Board on a periodic basis.

The CSR Committee shall also furnish a responsibility statement to the Board that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

8. ROLE OF THE BOARD

The role and responsibility of the Board shall include:

- Approval of the CSR Policy after taking into account the recommendation of the CSR Committee and display the contents of the Policy on the company's website www.hdfcsec.com in the manner prescribed under the Companies Act, 2013.
- Reporting in the Board's report brief outline of the CSR Policy including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs, the composition of the CSR Committee, average net profit of the Company for the last 3 (three) financial years, prescribed capital expenditure and details of the CSR spent during the financial year as prescribed by the Companies Act, 2013 and the rules framed thereunder.
- Ensure that the CSR projects/ programs/activities are undertaken and executed by the Company as per the CSR Policy and give reasons, incase the spend on CRS activities/projects/programs is less than 2(two) per cent of the average net profit of the last 3(three) financial years, in its Board report