

HDFC Securities LimitedNR Policy#:1**Contents**

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NOMINATION AND REMUNERATION POLICY

1. PREAMBLE

HDFC Securities Limited (hereinafter referred to as “the Company”) believes in conducting the affairs in a fair and transparent manner by adopting the highest standards of professionalism and good Corporate Governance Practices. The Company is committed to ensure that remuneration commensurate with the role and responsibilities is paid to all directors and employees of the Company. In order to attract and retain properly qualified and best talent at all levels, it is the Company’s aim to maintain fair and competitive remuneration consistent with industry standards and practices.

Pursuant to the Companies Act, 2013 (“hereinafter referred to as “the Act”), the Company is required to constitute a Nomination and Remuneration Committee which shall formulate the Nomination and Remuneration Policy (“hereinafter referred to as “the Policy”) and review the HR policies and the overall appointment and remuneration of Directors, Key Managerial Personnel and Senior Management of the Company. The Board may upon recommendation of the Nomination and Remuneration Committee, amend and/or modify this Policy as and when necessary.

2. APPLICATION OF THE POLICY

The appointment and remuneration of Directors, Key Managerial Personnel and Senior Management of the Company will be reviewed and considered by the Nomination and Remuneration Committee with recommendations to the Board of Directors (hereinafter referred to as “the Board”) in accordance with the policy and the provisions of the Companies Act, 2013 (“the Act”).

3. CATEGORIES OF EMPLOYEES PROVIDED UNDER THIS POLICY

- Directors which include Whole Time or Executive Directors and Non-Executive or Independent Directors.

- Key Managerial Personnel as defined under Section 2(51) of the Act
- Senior Management i.e. personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads.

4. GENERAL POLICY STATEMENT

The Remuneration Policy of the Company is performance driven and is structured to motivate directors and employees, recognize their merits and achievements and promote excellence in their performance. Individual performance pay is determined by business performance and the performance of the individuals is measured through an appropriate appraisal process. Through compensation program, the Company endeavours to attract, retain, develop and motivate a high performance workforce that will ensure the long term sustainability of the Company and create a competitive advantage in the development field. For the whole time directors and employees, the Company follows a compensation mix of fixed and variable pay.

The remuneration of the Board members, Key Managerial Personnel and the Senior Management is based on the Company's size and market presence, its economic and financial position, industrial trends, compensation paid by the peer companies etc. Compensation reflects the responsibility and performance of the Board members, Key Managerial Personnel and the Senior Management.

5. TERMS OF REFERENCE:

- i) To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in Schedule I of this policy and recommend to the Board their appointment and removal.
- ii) To carry out evaluation of every director's performance as laid down in Schedule I of this policy
- iii) To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the

remuneration for the Directors, Key Managerial Personnel and other employees.

- iv) To review the overall compensation policy, service agreement and other employment conditions of Whole Time Directors, Key Managerial Personnel and other employees.
- v) To monitor the implementation of Employees Stock Option Scheme which includes:
 - the quantum of option to be granted under ESOS per employee and in aggregate
 - the conditions under which options shall vest in employees and may lapse in case of termination of employment or misconduct or otherwise
 - the exercise period within which the employee should exercise the vested option and the conditions under which the option would lapse either on failure to exercise within the exercise period or on termination or on resignation or otherwise
 - the right of an employee to exercise all the options vested in him/her at one time or at various points of time within the exercise period
 - the procedure for making a fair and reasonable adjustment to the number of options
 - the grant, vest and exercise of option in case of employees who are on long leave and any other matter which may be relevant for administration of ESOS Scheme from time to time
- vi) To deal with other matters as the Board may refer to the Nomination and Remuneration Committee ("the Committee") from time to time.

6. **REMUNERATION OF WHOLE-TIME DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT OF THE COMPANY**

Role and Type of Remuneration

The Company recognizes the competitive nature of the current market and this requires the Company to provide competitive remuneration to directors and employees to ensure that a high caliber of staff is attracted to the Company and retained once they have gained experience. The Company further acknowledges that it can only excel in service delivery through the exceptional performance of its

people and that the remuneration offering to the directors and employees plays a substantial motivational role when exceptional performance is compensated with exceptional rewards.

The Remuneration of Whole Time Directors, Key Managerial Personnel and Senior Management of the Company are decided based on criteria stated in Schedule I of this policy and as per the recommendation of the Committee. The Company will pay remuneration to Whole Time Directors, Key Managerial Personnel and Senior Management by way of salary, retirement benefits, perquisites, allowances (fixed component), incentives and commission (variable component) based on the recommendation of the Committee and approval of the Board of Directors and shareholders, if applicable. Annual increments may be decided by the Committee within the salary scale approved by the members, in case of Whole Time Directors.

Guaranteed Portion of Remuneration:

Whole Time Directors and employees are receiving guaranteed portion of their total package on a monthly basis. The total package includes both monthly compensation and guaranteed benefits such as employer's contribution to retirement funds i.e. provident fund, pension and gratuity, group mediclaim etc.

Variable Portion of Remuneration:

Performance Incentive to reward employees for performance is variable. These rewards are based on individuals, departmental or Company's performance including related predefined targets. Performance is measured over a 12 months period. Vehicle allowance and telephone expenses are flexible remuneration options available to the eligible employees.

The remuneration policy should accordingly be considered in the greater human resource context.

The Committee shall take into consideration the recommendations of the Managing Director about their proposals relating to the remuneration of other Whole Time Directors, Key Managerial Personnel and Senior Management.

Remuneration of Non-Executive Directors:

Non-Executive Directors are paid remuneration by way of sitting fees for attending Board and Committee Meetings. The Company pays a sitting fee per meeting of the Board and the Committees to the Non-Executive Directors for attending the meeting within the limit prescribed under the Act. Commission, if any, may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% p.a. of the profits of the Company (computed in accordance with the Act).

An independent director shall not be entitled to any stock option and may receive remuneration by way of fees provided under sub-section (5) of Section 197 of the Act, re-imbursement of expenses for participation in the Board and other meetings and profit related commission, if any, as may be approved by the members of the Company.

7. COST MANAGEMENT:

The objective of remuneration cost management is the importance of the directors and employee's role, thereby reflecting their relative work to the Company. Cost management does not necessarily imply a reduction of over all salary and bill but rather the correct allocation thereof. The Finance and Budget Department in conjunction with Human Resource Department should manage remuneration costs within budgetary constraints, while ensuring the remuneration levels of competent, exceptional performers and key employees are positioned competitively against the market.

Any amount paid in excess to director other than prescribed under the Act shall be refunded by the director and a company cannot waive the same.

8. RETIREMENT POLICY OF DIRECTORS AND EXECUTIVES:

The Company has adopted the guidelines for retirement age of whole time directors and employees. Any whole time director who is retained on the Company's Board beyond the age limit decided by the management for special reasons may continue as a Director at the discretion of the Board. The Company

has adopted policy for offering retirement benefits including pension, ex-gratia, gratuity, medical etc. to its whole time directors and employees of the Company.

9. **CONSTITUTION OF THE NOMINATION & REMUNERATION COMMITTEE:**

The Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one half shall be independent directors.

Provided that the chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Nomination and Remuneration Committee but shall not chair such Committee.

The Board of Directors of the Company has powers to reconstitute the Committee as and when think fit so or as may be required under the law.

10. **REPORTING REQUIREMENTS**

This policy shall be disclosed every year in the Board's Report to the shareholders of the Company

Schedule 1: Criteria for appointment and performance evaluation – related remuneration for Directors/Key Managerial Personnel and Senior Management of the Company.

- At the time of selection of a Director, Key Managerial Personnel and Senior Management, the Company must examine the integrity of the person and possession of relevant expertise, positive attributes, qualifications and experience
- In case of appointment of Independent Director the Company must observe the pecuniary relationship of such Director and their relatives with the promoters and group companies including the criteria of independence and other conditions as prescribed by the Act. The performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the director being evaluated. Appointment of Independent Directors shall be formalized through a letter of appointment as per Schedule II annexed
- The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate Directors, Key Managerial Personnel and Senior Management to run the Company successfully
- Relationship of remuneration to performance should be clear and meet appropriate performance benchmarks.
- Remuneration of directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals
- External Competitiveness: The quantum and nature of the total offering to Directors, Key Managerial Personnel and Senior Management should commensurate with the industry standards and benchmarks and the ability of the Company in recruiting and retaining them. The appropriate mix of

guaranteed cash benefits and incentives should enhance the Company's ability to motivate them in a manner that will improve the Company's competitiveness.

- The size and complexity of a position to be determined through a valid job evaluation system and individual performance will be measured through the established and approved Performance Management System.
- Remuneration should be compatible with risk policies and systems
- The Independent Directors shall review the performance of the non-independent directors.
- The Independent Directors shall assess the quality, quantity and timelines of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties

Schedule II

Date

Name

Address

Dear Sir/Madam,

Sub : Appointment as a Independent Non-Executive Director of HDFC Securities Limited ("the Company")

We are pleased to inform that on the recommendation of the Nomination & Remuneration Committee, the Board of Directors ("the Board") of HDFC Securities Limited ("the Company") has approved your appointment as Director of the Company, subject to the prior approval of the Stock Exchanges viz. National Stock Exchange of India Limited (NSEIL), The BSE Limited, Mumbai (BSE) and MCX Stock Exchange Limited (MCX-SX) pursuant to the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992.

We wish to inform you that the Company has received the necessary approvals from the respective Stock Exchanges.

The terms of Appointment, which shall in any event be subject to the Articles of Association of the Company and the approval of the shareholders, shall be governed by the provisions of the Companies Act, 2013 and the rules made there under:

Term of Appointment

- 1 The Appointment is for an initial term of 5(five) years commencing on _____, until the conclusion of Company's Annual General Meeting (AGM) occurring approximately five years from the said date, unless determined earlier by you or the Company by prior written notice to the other.
- 2 Notwithstanding the other provisions of this letter, the Appointment may be determined at any time by the Company in accordance with the Company's Articles of Association or the Companies Act 2013 or any other applicable laws in force or that you may resign by prior written notice to the Company. It is pertinent to note that your resignation shall be subject to the prior approval of the Stock Exchanges in accordance with the SEBI (Stock Brokers & Sub-Brokers) Regulations, 1992. It is desirable that you give the Board a reasonable forewarning of your intention to resign or to not seek re-appointment to the extent possible, so that the Company can plan accordingly. Upon such determination and/or resignation for any reason, you shall not be entitled to any remuneration/damages for loss of office in respect of any unexpired term of Appointment.
- 3 During the Appointment you may be required to serve on one or more of the Board Committees and you have been provided with copies of the terms of reference for each of those committees.

- 4 You are considered to be an Independent Non-Executive Director and will be identified as such in the Annual Report and other documentation. If circumstances change, and you believe that your independence may be in doubt, you should give a declaration to the Board as soon as possible in any case not later than 7 (seven) days of occurrence of event.

Expectation of the Board and fiduciary duties

- 5 The Company expects a commitment of sufficient time and attention as necessary in order to perform your duties under the Appointment. This will include attendance at regular and emergency Board and any General Meetings (both Annual and Extraordinary). You will be required to attend regular meetings of any Committee of which you are a member. In addition, you will be expected to devote appropriate preparation and time ahead of each meeting. In case you wish to avail leave of absence from the meeting for any reason whatsoever, you may take prior leave of absence from the Board and/or Committee for the said meeting/s.
- 6 By accepting the Appointment, you confirm that you are able to allocate sufficient time to perform your role.
- 7 As a Non-Executive Director you have the same general legal responsibilities to the Company as any other Director.
- 8 You shall abide by the provisions specified in Schedule IV of the Companies Act, 2013 and the rules made thereunder.
- 9 You shall adhere to all the conditions of independence during your term with the Company and give a declaration of independence in every financial year during your term with the Company.

Insurance

- 10 The Company has Directors' and Officers' liability insurance and it is intended to maintain such cover for the full term of the Appointment.

Code of Conduct

- 11 During the Appointment you will comply with the Code of Business Ethics and the Code of Conduct Policy for Securities Transactions applicable to Directors and such other requirements as the Board of Directors may from time to time specify. The said policies are annexed herewith for your reference.
- 12 The Company acknowledges that you may have business interests other than those of the Company and that you have declared any conflicts that are apparent at present. In the event that you become aware of any potential conflicts of interest, these should be disclosed to the Company as soon as they become apparent but not later than 30 (thirty) days of the occurrence of such event.

List of actions restrained

- 13 You should not allow any extraneous considerations that will vitiate your exercise of objective independent judgment in the paramount interest of the Company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making.

- 14 You should not abuse your position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated persons.
- 15 You should not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information unless such disclosure is expressly approved by the Board or required by law. Your attention is drawn to the requirements under both legislation and regulation as to the disclosure of price-sensitive information. Consequently you should avoid making any statements that might risk a breach of these requirements without prior clearance from the Board.
- 16 You shall not engage in forward dealings in securities of the Company or in its holding, subsidiary or associate company nor shall you enter into insider trading in the securities of the Company.
- 17 You shall not involve in a situation in which you may have a direct or indirect interest that conflicts, or possibly may conflict, with the interest of the Company
- 18 You shall not have any pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company, or their promoters, or directors during your term with the Company nor shall your relatives have a pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters or directors, amounting to 2 (two) per cent or more of the gross turnover or total income or fifty lakh rupees, whichever is lower.
- 19 You or any of your relatives shall not hold more than 2 (two) per cent or more of the total voting power of the Company

Remuneration

- 20 You will receive remuneration by way of sitting fee for attending meetings of the Board or Committee as may be determined by the Board from time to time and in accordance with the Articles of Association of the Company.
- 21 The sitting fee shall be paid by way of crossed account payee cheque and/or direct credit to your designated bank account and shall be subject to deduction of all applicable taxes, if any.
- 22 You will not be entitled to any stock option neither participate in any stock option scheme of the Company.
- 23 The Board may subject to the necessary approvals and in accordance with the Articles of Association of the Company determine any sums payable to you as remuneration from time to time.
- 24 Any services rendered by you in your professional capacity shall not be part of the appointment or remuneration and the same shall be re-imbursed by the Company upon submission of appropriate bills to the Company.

Publication of the letter of appointment

25 In line with Schedule IV of the Companies Act, 2013, the Company will make public a generic copy of this letter on its website at www.hdfcsec.com and shall be open for inspection at the registered office of the Company by any member during normal business hours.

This letter is governed by, and shall be construed in accordance with, the laws of India, and the parties agree to submit to the exclusive jurisdiction of the courts of Mumbai.

This letter constitutes neither a contract for services nor a service contract.

Please confirm your acceptance to the terms of appointment by signing and returning to us the enclosed duplicate of this letter.

Yours sincerely
For **HDFC Securities Limited**

I have read and understood and agree to the above terms regarding my appointment as an Independent Non-Executive Director of HDFC Securities Limited.

Mumbai

Date :

