NOMINATION & REMUNERATION POLICY

1. Introduction:

This Nomination & Remuneration Policy ("Policy") of HDFC Asset Management Company Limited ("HDFC AMC" or "Company") is formulated under the Companies Act, 2013 ("Act") and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("Listing Regulations") and other applicable laws.

2. DEFINITIONS:

I. **"Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

II. **"Alignment of Interest Circulars"** means Circulars issued by Securities and Exchange Board of India ("SEBI") viz. SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/553 dated April 28, 2021, SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/582 dated June 25, 2021, SEBI/HO/IMD/IMD-I/DOF5/P/CIR/2021/629 dated September 20, 2021 read with clarification dated September 20, 2021, SEBI/HO/IMD/DF5/OW/P/2021/24745/1 and SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/36 dated March 21, 2025 issued by SEBI to AMFI; and include any amendments and clarifications thereto issued by SEBI from time to time.

III. **"Board"** means Board of Directors of the Company.

IV. **"Committee"** means Nomination & Remuneration Committee.

V. **"Company"** means HDFC Asset Management Company Limited.

VI. "**Designated Employees**" means Designated Employees as defined in the Skin in the Game Policy.

VII. **"Policy"** means Nomination & Remuneration Policy.

VIII. "**SEBI**" means Securities and Exchange Board of India.

IX. **"Skin in the Game Policy"** means the Policy on Alignment of Interest of Designated Employees of the Company with the Unitholders of the Schemes of HDFC Mutual Fund prepared pursuant to the Alignment of Interest Circulars and as approved by the Board of the Company and the Board of Directors of HDFC Trustee Company Limited from time to time.

Words and expressions used and not defined in these rules but defined in the Act or in the Skin in the Game Policy shall have the same meanings respectively assigned to them in the Act or Skin in the Game Policy, as the case may be.

3. OBJECTIVE:

The policy is framed with the following objectives:

1. That the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;

2. That the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;

3. That the remuneration to Directors, Key Managerial Personnel, Senior Management and other employees of the Company 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;

4. To lay 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, Key Managerial positions and to determine their remuneration;

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

6. To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's operations;

7. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage; and

8. To lay down criteria for appointment, removal of directors, Key Managerial Personnel and Senior Management.

4. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT:

- **Appointment criteria and qualifications:**

    1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel or at Senior Management level and recommend to the Board his / her appointment.

    2. The person for the appointment of Directors should fit the criteria prescribed by SEBI for all Mutual Funds vide its Master circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27, 2024 and any amendments made thereto.

    3. For any other appointment i.e. of Senior Management and Key Managerial Personnel, the person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.

    4. The Company shall not appoint or continue the employment of any person as Managing Director & Chief Executive Officer 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.

- **Term / Tenure:**

1. <u>Managing Director & Chief Executive Officer</u>:

The Company shall appoint or re-appoint any person as its Managing Director & Chief Executive Officer for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

2. <u>Independent Director</u>:

i. Subject to the provisions of the Companies Act, 2013 and applicable provisions of SEBI Mutual Fund Regulations, an Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure(s) of such appointment in the Board's report.

ii. 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. Provided that 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.

iii. The appointment of Independent Director will be subject to the approval of the Trustee Company and compliance with the requirements prescribed by SEBI for all Mutual Funds vide its Master circular no. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2024/90 dated June 27, 2024 and any amendments made thereto the said circular.

- **Evaluation:**

- The Committee shall carry out evaluation of performance of Key Managerial Personnel and Senior Management on an annual basis.

- The Committee shall determine the manner for evaluation of performance of Board, committees of the Board and directors on an annual basis to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance. The Committee may also seek the support and guidance of external experts and agencies for this purpose.

- **Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, Key Managerial Personnel or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

- **Retirement:**

The Key Managerial Personnel and Senior Management shall retire as per the applicable provisions of the Companies Act, 2013, Rules made thereunder and the prevailing policy of the Company. The Key Managerial Personnel and Senior Management may be retained in the same position / remuneration or otherwise even after attaining the retirement age for the benefit of the Company in accordance with the prevailing policy of the Company.

- **Matters relating to the remuneration, perquisites for the Directors, Managing Director & Chief Executive Officer, Key Managerial Personnel and Senior Management**

1. The remuneration / compensation / profit-linked commission etc. to the Managing Director & Chief Executive Officer ('MD & CEO') will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / profit-linked commission etc. shall be in accordance with the percentage / slabs / conditions laid down in the Companies Act, 2013, Rules made thereunder and Schedule V and shall be subject to the prior / post approval of the shareholders of the Company and Central Government, wherever required.

2. As regards the remuneration of Key Managerial Personnel, Senior Management and other employees, the determination shall be effected by way of annual presentation containing the proposed performance bonus payouts for the current financial year as well as the proposed increments for the next financial year. The Committee shall peruse the same and approve accordingly unless required under relevant regulations, to refer the same to the Board of Directors and / or Shareholders of the Company.

3. Organisation wide Increments to the existing remuneration / compensation structure to the KMP / Senior Management Personnel shall be approved by the Committee. Increments to the MD & CEO should be within the slabs approved by the Shareholders. Increments will be effective from 1st April in respect of MD & CEO as well as in respect of other employees of the Company, unless otherwise decided.

4. Stock Options may be granted to Whole time Director(s) including the MD & CEO but not the Independent Directors. Further, Stock Options and Performance-linked Stock Units ('PSUs') may be granted to only such employees of the Company as approved by the Committee.

5. Where any insurance is taken by the Company on behalf of its Directors 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.

6. <u>Remuneration of MD & CEO</u>:

   - The MD & CEO shall be eligible for remuneration as may be approved by the Shareholders of the Company on the recommendation of the Committee and the Board of Directors. The break-up of the pay scale, commission/ performance bonus and quantum of perquisites including, employer's contribution to P.F, gratuity, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.

   - **Minimum Remuneration –** If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its MD & CEO in accordance with the provisions of the Companies Act, 2013 and if it is not able to comply with such provisions, then with the previous approval of the Central Government, wherever required.

   - **Stock Options –** Stock Options may be granted to the MD & CEO of the Company as approved by the Committee.

   - The remuneration (including the value of employee Stock Options on the date of exercise) of the MD & CEO will also be aligned with the terms of the Skin in the Game Policy pursuant to which a part of the Compensation of the MD & CEO shall be

mandatorily invested in Units of the Eligible Schemes managed by the AMC in which they have role/oversight.

7. Remuneration of Non – Executive Director including Independent Director:

- **Sitting Fees –** The sitting fees shall be paid as per the applicable Regulations. The quantum of sitting fees will be determined as per the recommendation of the Committee and approved by the Board of Directors of the Company. Further, the expenses for participation in the Board and other meetings shall be reimbursed to the Directors.

- **Profit-linked Commission –** The profit-linked Commission may be paid within the monetary limit approved by the shareholders of the Company subject to the same not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Regulations.

- **Stock Options and Performance-linked Stock Units ('PSUS')** – Pursuant to the provisions of the Act, an Independent Director shall not be entitled to any Stock Option and PSUs of the Company.

8. Remuneration to Key Managerial Personnel, Senior Management and Other Employees:

- The Key Managerial Personnel, Senior Management and other employees including the Designated Employees of the Company shall be paid monthly remuneration as per the Company's HR policies and / or as may be approved by the Committee. The break-up of the pay scale and quantum of perquisites including, employer's contribution to P.F, gratuity etc. shall be as per the Company's HR policies.

- The remuneration (including the value of employee Stock Options and PSUs on the date of exercise) of Designated Employees will be aligned with the terms of the Skin in the Game Policy pursuant to which a part of the Compensation of the Designated Employees shall be mandatorily invested in Units of the Eligible Schemes managed by the AMC in which they have role/oversight.

- This Policy shall apply to all future / continuing employment / engagement(s) with the Company. In other respects, this Policy shall be of guidance for the Board. Any departure from this Policy shall be recorded with reasons in the minutes of the Committee and Board meeting.

5. Malus / Clawback Arrangement:

The Company believes in sustained business performance in tandem with prudent risk taking. The Company, therefore, has devised appropriate deterrents in order to institutionalize the aforementioned commitment.

Malus Arrangement: The provision of a Malus arrangement would entail cancellation of payout for the deferred portion of reward (Variable Pay or Share Linked Instrument). A **malus** arrangement permits the Company to prevent vesting of all or part of the amount of a deferred remuneration. Malus arrangement does not reverse vesting after it has already occurred."

Clawback Arrangement: The provision of Clawback arrangement would entail return of payout of reward Variable Pay or Share Linked Instrument made in the previous years attributable to a given reference year wherein the incident has occurred. The return would be in terms of net amount. A **clawback** is an arrangement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration to the Company under certain circumstances."

At the discretion of the Nomination and Remuneration Committee ('NRC'), malus and clawback clause will be actioned when the employee demonstrates behaviour involving fraudulent behaviour, moral turpitude, lack of integrity, flagrant breach of company policies and statutory norms resulting in financial or non-financial losses. Manifestation of behaviour listed above is presumed to have a malafide intent. The provisions of malus and clawback clause will be applicable to MD & CEO, Senior Management Personnel of the Company under Companies Act, 2013 & SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other Key Personnel as per SEBI (Mutual Funds) Regulations, 1996.

Illustrative list of conditions / events is enumerated below. The occurrence of any/some/all of the following conditions/events shall trigger a review by the Nomination and Remuneration Committee for the application of the Malus or the Clawback arrangement:

a) Substantial Financial Deterioration in profitability or risk parameters
b) Reckless, negligent or willful actions or exhibited inappropriate values and behavior
c) Fraud that requires a financial restatement
d) Reputational harm
e) Exposing the Company to substantial risk
f) Such other conditions or events, of similar nature as above, as determined by NRC for triggering review by NRC for the purpose of application of the Malus or the Clawback arrangement

In determining the causes for deterioration in financial performance under (a), the Nomination and Remuneration Committee may take into consideration and have due regard to the fact whether the deterioration was for factors within control or whether it was on account of conditions like global market headwinds, industry performance, changes in legal/regulatory regime, force majeure events like occurrence of natural disasters, pandemic, other socio-economic conditions etc.

While undertaking the review for the concerned person for the application of the Malus or the Clawback arrangement based on any trigger events, when determining accountability of the concerned person, the NRC shall be guided by the principles of proportionality, culpability or proximity or nexus to the event or misconduct. Prior to taking action the NRC shall ensure due regard to the Principles of Natural Justice.

Bonafide error/s of judgment where there is no misconduct, wilful or intentional breach by act/ omission or gross negligence or lack of integrity, may not be treated as breaches under this Policy.

The NRC may decide to apply malus on part, or all of the unvested deferred variable pay and Share Linked Instrument. The time horizon for the application of malus/clawback clause shall be three years from the date of reward.

The NRC shall review the act of misconduct/incident to ascertain the degree of accountability attributable to MD & CEO, Senior Management Personnel of the Company under Companies Act, 2013 & SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other Key Personnel as per SEBI (Mutual Funds) Regulations, 1996, prior to applying the Malus or Clawback Clause.

The criteria for Malus /Clawback will be reviewed by the Nomination and Remuneration Committee annually.

6. COMMITTEE MEMBERS' INTERESTS:

A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

7. REVIEW AND AMENDMENT:

The Committee or the Board may review the Policy annually. The Committee may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this Policy, if it thinks necessary. This Policy may be amended or substituted by the Committee or by the Board as and when required.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.

This Policy has been formally adopted and approved by Board of Directors of the Company in their meeting held on January 15, 2015, in accordance with Section 178 of the Act and rules made thereunder and was further amended on October 25, 2021. Further, this Policy is last updated on April 17, 2025.