

Policy on Compensation Framework of the Company

Preface

Section 178 of the Companies Act 2013 lays down requirement for the Nomination and Remuneration Committee to recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.

The Act prescribes that the Nomination and Remuneration Committee shall, while formulating the policy ensure that—

- (a) 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;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to 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.

In the above context, ICICI Securities Limited's Compensation Policy, is placed before the Board Nomination and Remuneration Committee for approval.

COMPENSATION POLICY

ICICI Securities Limited (the Company) has historically followed prudent compensation practices under the guidance of the Board Nomination and Remuneration Committee (the BNRC or the Committee). The Company's approach to compensation is intended to drive meritocracy within the framework of prudent fiscal management.

Compensation philosophy

Fixed Pay and Variable Pay

- 1.1. The compensation budget of the Company will be based on projected levels of business and staffing requirements, revenue generation and financial plans.
- 1.2. The Company will have a judicious and prudent approach to compensation and will not use compensation as the sole lever to attract and retain employees. Employee compensation will take into account a mix of external market pay and internal equity.
- 1.3. The total compensation will be a prudent mix of fixed pay and variable pay.
- 1.4. The variable compensation will consist of performance bonus and sales incentive as is applicable to different roles. Any long term pay in the nature of stock options or cash will be excluded from the components of variable pay.
- 1.5. The quantum of bonus for the directors will not exceed 70% of the total fixed pay in a year. If the quantum of bonus exceeds 50% of the total fixed pay, the payout will be 60% of the bonus upfront and balance 40% will be equally deferred over the next three years.

Long Term Incentive Plan

- 1.6. Long Term Incentive grant will be approved by the Committee every year based on the principle of differentiation on performance.
- 1.7. The vesting of Long Term Incentives will be normally spread over a period of three years or more.
- 1.8. LTI in case of employee separation on account of retirement (including pursuant to any early/ voluntary retirement scheme), death or permanent disablement of employees continues to vest in the normal schedule as specified in the LTI grant to the employee in all other cases except death in which case it will vest fully immediately following such event. In case of death, the unvested LTI will be cashed out to the nominee declared by the employee towards the same.
- 1.9. LTI in case of employee transfer to a Group Company continues to vest in the normal schedule as specified in the LTI grant to the employee. Further, if such employee

transferred to a group company exits the group other than the situations mentioned in the point no 1.8 above; such unvested LTI's will lapse.

Employee Stock Options Scheme: Employee Stock Options Schemes are designed for the purpose of enhancing employee motivation and enabling employees to participate in the long term growth and financial success of the Company. The scheme also aims to act as a retention mechanism by enabling employee participation in the business as an active stakeholder to usher in an 'owner-manager' culture.

- 1.10. Specific criteria for employee stock option grant may include organization performance, individual performance, potential assessment, vintage and any other relevant parameters.
- 1.11. Employees getting Stock Options as a part of compensation will be covered under the ICICI Bank's Employees Stock Option Scheme (ESOS).
- 1.12. The unvested options may lapse in the event of termination of employment for a cause. Similarly in the event a cash bonus is deferred, the Bank will subject it to performance adjustment clause.
- 1.13. Employees eligible for stock options may be granted options under ICICI Securities Limited - Employees Stock Option Scheme – 2017 ("the Scheme") as may be recommended and approved by NRC & the Board of ICICI Securities Limited.
- 1.14. The vesting schedule of the stock options will be governed as per the scheme.

Malus and Claw back

- 1.15. Compensation will be aligned to both financial and non-financial indicators of performance including controls like risk management, process perspective, customer perspective and others.
- 1.16. Acts of gross negligence and integrity breach shall be covered under the purview of the compensation policy. Errors of judgment shall not be construed to be breaches under this policy.
- 1.17. The deferred part of the variable pay will be subject to malus, under which, the Company may prevent vesting of all or part of the variable pay in the event of an enquiry determining gross negligence or integrity breach.
- 1.18. Relevant employees will be required to sign clawback agreements for the variable pay. In a clawback arrangement, the employee will agree to return, in case asked for, the previously paid variable pay to the Company in the event of an enquiry determining gross negligence or integrity breach, taking into account relevant regulatory stipulations.

Guaranteed bonuses

1.19. Guaranteed bonuses are not consistent with the principles of meritocracy and the Company will not encourage any kind of guaranteed bonus. Joining or sign-on amount will occur in the context of hiring a new staff.

The BNRC may review the compensation policy annually in line with the strategy adopted by the Company and changing market dynamics.