

BACKGROUND

On 27 February 2014 the Ministry of Corporate Affairs notified Section 135 and Schedule VII of the Companies Act 2013 (2013 Act) as well as the provisions of the Companies (Corporate Social Responsibility Policy - CSR) Rules, 2014, to come into effect from April 1, 2014.

With effect from April 1, 2014, any company, private limited or public limited, which either has a net worth of INR 500 crore or more; or a turnover of INR 1,000 crore or more; or net profit of INR 5 crore or more, during the immediately preceding financial year, needs to spend at least 2% of its average net profit (PBT) for the immediately preceding three financial years on corporate social responsibility programme/ projects.

CSR programme/ projects must be with respect to any of the activities mentioned in Schedule VII of the 2013 Act. As per the Rules an eligible company should formulate a CSR Policy and upload the same on the company's website.

To formulate and monitor the CSR policy of a company, a CSR Committee of the Company needs to be constituted. Section 135 of the 2013 Act requires the CSR Committee to consist of at least three directors, including an independent director.

This would mean **HSBC Securities and Capital Markets (India) Private Limited (HSCI)**, will, from 1 April 2014, be required to comply with the Rules.

ORGANISATIONAL STRUCTURE

The CSR Committee of HSBC Securities and Capital Markets (India) Private Limited, India will comprise of at least three members of Board. The Committee is to meet at once annually, or such intervals as may be necessary.

The Committee responsibilities are:

- To formulate and recommend the CSR policy to Board
- To recommend the amount of expenditure to be incurred
- To execute the CSR Policy recommending CSR programme/ projects and monitoring CSR spends
- To prepare a transparent monitoring mechanism
- To periodically monitor the implementation of the CSR policy

The Board of Directors is to decide and approve CSR programme/ projects as recommended by the CSR Committee.

PURPOSE OF THE POLICY

To demonstrate HSBC Securities and Capital Markets (India) Private Limited., India's commitment to corporate social responsibility by contributing to the economic and social development of the communities on which HSBC India's success depends, and safeguarding the environment. This Policy has been produced to ensure that in all matters related to Corporate Social Responsibility, HSCI operates on a consistent, compliant basis.

The Policy is applicable to all members of HSBC in India

CORPORATE SOCIAL RESPONSIBILITY POLICY

HSBC Securities and Capital Markets (India) Private Limited., India is committed to Corporate Social Responsibility (CSR) and demonstrates this by contributing to the economic and social development of the communities and safeguarding the environment. While these two components are universal and will be at the centre of most sustainability initiatives, there are various components which make up this huge canvas. HSCI's community investments (CI) are focused on two core themes:

1. Promoting Education
2. Environmental Sustainability

Within Promoting Education our focus is particularly on:

- Disadvantaged young people particularly at primary and secondary education levels
- Employment enhancing vocational skills
- Livelihoods enhancement projects
- Empowering women
- Language and cultural understanding

Within the Environmental Sustainability our focus is particularly on:

- Freshwater sustainability
- Access to safe water
- Water and sanitation
- Climate change
- Conservation of terrestrial biodiversity and habitats (e.g. forests) (ecological balance, protection of flora and fauna)

COMMUNITY INVESTMENT

Selection of Beneficiary Projects and Organisations

The HIFSL Board of Directors (referred as Board hereafter) are responsible for the development and funding of programmes/projects - that support communities in which they operate; and are in adherence to the provisions of the Companies Act, 2013 (2013 Act) and the CSR Rules there under.

HIFSL will undertake such CSR programmes/projects as approved by the Board and as recommended by the CSR Committee. The Board should approve the following:

- 1) Annual budget for CSR programme/ projects
- 2) List of CSR activities, modalities of execution and implementation schedules
- 3) Monitoring process of such CSR programme/ projects

The Board will ensure that any unspent/unutilised CSR budget of a particular year will not form part of the business profit of the organisation.

The Board will ensure programme/project selection is made after a sensible assessment of the prospective beneficiaries' standing, that potential risks have been identified and the relationship is aligned with HIFSL's CSR focus.

Community investments should bring a lasting benefit to local communities, motivate staff through opportunities for direct voluntary involvement and, focus primarily on promoting education or environmental sustainability.

While supporting Environmental Sustainability, environmental initiatives can be aligned to the HSBC Group's flagship programmes (e.g. The HSBC Water Programme).

The CSR Committee will adhere to the due diligence guidelines and undertake due diligence appropriate to the size and nature of the proposed relationship when electing to partner with an NGO. Due consideration will also be given to whether it is appropriate to formalise the prospective arrangement in documentation (i.e. Memorandum of Understanding).

All CSR projects should:

- Reflect the key themes of educational and environmental support
- Have clear objectives and measurable impact
- Bring a lasting benefit to the community
- Be capable of evidencing HSBC's commitment to the community
- Allow for staff engagement through volunteering where possible or appropriate

Community Investments should normally avoid the following:

- Sponsorship of individuals
- Organisations that serve a limited or restricted membership (e.g. clubs, unions, etc.)
- Sporting events or sports teams
- Organisations that primarily or largely exist to develop the furtherance of faith-based issues
- Payments of salaries. Where large, long-term community investments are made it is accepted that part of the support may cover the costs of staff, but this should not normally be the primary reason, nor form a major part of the community investment
- The construction of buildings
- The purchase of land or property
- Zoological parks should not normally receive funding for captive conservation projects. However, they may be considered where the activity undertaken is primarily educational in nature
- The endowment of university chairs or development programmes

Governance of Community Investments and Disbursement of Funds

HIFSL will establish appropriate, transparent mechanisms for the management of community investments. The following process will be followed for making a community investment:

- Check request for funding against HIFSL's focus area
- Conduct Due Diligence
- Request for Proposal
- Evaluate Proposal
- Maker-Checker process
- Submit Recommendations to the Board for approval
- On approval disburse the amount to the partner organisation
- Make field visits, if required

To ensure that decisions over the disbursement of community investment funding are subject to appropriate management control, to facilitate consistency with the objectives of the business as a whole, compliance with appropriate tax and other legal and regulatory obligations, including the UK Bribery Act 2010, and ensure relevance to genuine community needs - all disbursements should be through members of the CSR Committee or such other person authorized by the Board, who have read and understood the policy.

Avoiding conflict of interest

Potential conflict of interest that may arise when a member of the Board or the CSR Committee or CSR Function has a direct interest in a not-for-profit organisation in question, must be avoided. Such conflict of interest should be avoided by a declaration of interest by the concerned individual to the Board.

Where HSBC executives join the Board of a not-for-profit to improve the governance and oversight over its activities, they should absent themselves from any decision to fund the organisation.

Requests made by customers to provide fund support to not-for-profits should be refused. Similarly, community investments should not be made in order to maintain or enhance any customer relationship.

Monitoring & Reporting

The CSR Committee is responsible to gather information on the social and environmental impact of programmes and projects undertaken. 'Output' and 'impact' measures will be monitored for all major programmes and projects. The CSR Committee will ensure that the nonprofit partners monitor and report on the outputs and impacts of their projects. Projects will be monitored through - half yearly progress report, annual report along with fund utilisation report (as per format approved by the Board) and field visits of programmes/projects.

The Board will ensure that all activities are reported at the end of each financial year (starting 2015) as required under provision of the 2013 Act.

HSBC Employee Engagement

Engaging employees in community investment programmes is an opportunity to ensure that our investments are maximised, that HSBC staff are present to monitor progress, and to see that funds contributed are used for the purpose for which they have been given.

Each global business and function should offer a minimum of one-day paid employee volunteer leave per year and establish policies and programmes which guide and support employees wishing to contribute to projects in their local community.

General

In case of any doubt with regard to any provision of the CSR Policy and also in respect of matters not covered herein, a reference should be made to the Board. In all such matters, the interpretation and decision of the Board will be final.

Any or all provisions of the CSR Policy will be subject to revision/amendment in accordance with the guidelines on the subject as may be issued from Government, from time to time.

The Board reserves the right to modify, cancel, add or amend the CSR Policy.