

Compensation Policy

Human Resources, Ceejay House

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Policy Name	Compensation Policy		
Company/s	Nomura Capital (India) Private Limited Nomura Fixed Income Securities Private Limited		
Policy Owner	Swapnil K. Bhoir	Department	HR
Policy Approved by	Caroline England	Policy inputs from	1. Legal, Compliance & Conduct (LCC), India
	Head of Compensation & Benefits, AEJ		
Policy available on	Employee Handbook, Intranet		

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INDEX

- 1. Applicability**
- 2. Effective date**
- 3. Definitions**
- 4. Nomination and Remuneration Committee (NRC)**
- 5. Principles for compensation**
- 6. Guaranteed bonus**
- 7. Malus / Clawback**

Policy on Compensation of Key Managerial Personnel and Senior Management

1. Applicability

Nomura group is governed by the 'Basic Nomura Group Compensation Policy'.

In addition, this policy ("**Compensation Policy**") has now been framed pursuant to the extant requirements of the Reserve Bank of India's ("**RBI's**") Scale Based Regulatory Framework ("**SBR**") for Non-Banking Finance Companies ("**NBFCs**"), as modified from time to time and the Guidelines on Compensation of Key Managerial Personnel ("**KMP**") and Senior Management ("**SM**") notified vide notification no. RBI/2021-22/112 DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 and RBI/2022-23/36 DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022 and any modifications thereto as notified from time to time.

The Compensation Policy shall be applicable to KMP and SM (hereafter referred as "**Employee/s**") of Nomura Capital (India) Private Limited (NCIPL) and Nomura Fixed Income Securities Private Limited (NFIS) both considered as NBFC - Middle Layer ("**NBFC-ML**") as defined under the aforementioned SBR.

2. **Effective date:** The effective date of the policy will be April 1, 2023.

3. Definitions

3.1. **Clawback** means a contractual agreement between the Employee and the NBFC in which the Employee agrees to return previously paid or vested remuneration to the NBFC-ML under certain circumstances

3.2. **Key Managerial Personnel** shall have the same meaning as defined under Section [2 (51)] of the Companies Act, 2013.

KMP shall include:

(i) the Chief Executive Officer or the Managing Director or the Manager;

(ii) the Company Secretary;

(iii) the Whole-time Director;

(iv) the Chief Financial Officer;

(v) such other officer, not more than one level below the Directors who is in whole-time employment, designated as key managerial personnel by the Board; and

(vi) such other officer as may be prescribed;

3.3. **Senior Management** shall have the same meaning as defined in 'Explanation' to Section 178 of the Companies Act, 2013.

The expression "senior management" shall mean 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.

For the purpose of this definition, Senior management would be identified as all respective employees of NCIPL and NFIS (other than Key Managerial Personnel) who are members of the management and who hold Nomura's corporate title of "Executive Director (ED)" and above and also includes the Chief Technology Officer (CTO) and any other position designated by the Board from time to time.

3.4. Malus refers to arrangement permitting 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.

3.5. Retention period: A period of time after the vesting of instruments which have been awarded as variable pay during which they cannot be sold or accessed.

3.6. Nomura Group: Nomura Holdings Inc. and its affiliates

4. Nomination and Remuneration Committee (NRC)

The Boards of NCIPL and NFIS, together called 'Nomura' and singularly called as "Company", have constituted a Nomination and Remuneration Committee (NRC) respectively. The NRC will have the constitution, powers, functions and duties as laid down in section 178 of the Companies Act, 2013 and as detailed in the respective Nomination and Remuneration Committee Charter of NCIPL and NFIS. The NRC, *inter alia*, will also have the mandate to oversee the framing, review and implementation of compensation policy of the Company. This Compensation Policy will be approved by the Board of Directors of the respective entities. The NRC will work in close coordination with Risk Management Committee (RMC) of the respective Company to achieve effective alignment between compensation and risks. Further, the NRC will ensure that compensation levels are supported by the need to retain earnings of the Company and the need to maintain adequate capital based on Internal Capital Adequacy Assessment Process (ICAAP). The NRC will also ensure 'fit and proper' status of proposed/existing directors and that there is no conflict of interest in appointment of directors on the Board of the Company, KMPs and SM.

5. Principles for compensation

5.1. Components and risk alignment:

Nomura Group recognizes that its employees are key in contributing to society in line with its mission of "We help to enrich society through our expertise in capital markets". Compensation for Nomura Group employees is designed to support achieving sustainable corporate growth, increasing enterprise value over the medium and long-term and maintaining sound and effective risk management, while at the same time positively contributing to the interest of all Nomura shareholders. In order to ensure that Nomura Group attracts, retains, motivates and develops talent, the level and structure of remuneration takes into account the roles and responsibilities of individuals as well as the market pay levels, doing so in line with any relevant laws and regulatory expectations.

The compensation of Employees shall be reasonable, recognising all relevant factors including adherence to statutory requirements and industry practices. The compensation structure comprises of fixed and variable pay components, aligned effectively with prudent risk-taking to ensure:

- that compensation is adjusted for all types of risks,
- the compensation outcomes are symmetric with risk outcomes,
- compensation pay-outs are sensitive to the time horizon of the risks, and
- the mix of cash, equity and other forms of compensation are consistent with risk alignment.

5.2. 2.2 Composition of Fixed Pay:

- a) Fixed compensation reflects the role, responsibilities and experience. All the fixed items of compensation, including the perquisites and contributions towards superannuation/retiral benefits, are treated as part of fixed pay.
- b) All perquisites that are reimbursable will be included in the fixed pay subject to the existing Expense Policy.
- c) Monetary equivalent of benefits of non-monetary nature (such as free furnished house, use of company car, etc.), if any, will also be part of fixed pay.

5.3. Principles for Variable Pay

5.3.1. Composition of Variable Pay:

- a) The variable pay may be in the form of share-linked instruments, or a mix of cash and share-linked instruments. It shall be ensured that the share-linked instruments are in conformity with relevant statutory provisions.
- b) The proportion of variable pay in total compensation needs to be commensurate with the role and prudent risk taking profile of Employees. The variable pay should be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level.
- c) Variable Pay intends to incentivize performance, promote the right behaviours, drive employee growth and development. For Employees portion of the variable compensation may be deferred, balancing short-term with medium and long-term interests of Nomura Group.
- d) Nomura Group seeks to balance the components of compensation between fixed and variable according to the role and seniority. In principle, the percentage of deferral increases as an Employee's compensation increases.

5.3.2 Proportion: The proportion of variable pay in total compensation shall be commensurate with the role and prudent risk-taking profile of the Employees. At higher levels of responsibility, the proportion of variable pay shall be higher. There shall be a proper balance between the cash and share-linked instruments in the variable pay in case the variable pay contains share linked instruments. The variable pay shall be truly and effectively variable and can be reduced to zero based on performance at an individual, business-unit and company-wide level. In order to do so, performance measures and their relation to remuneration packages shall be clearly defined at the beginning of the performance measurement period to ensure that the Employees understand the incentive mechanism.

5.3.3 Deferral of variable pay: Deferred variable compensation is intended to align the interests of employees and Nomura Holdings Inc. (“NHI”) shareholders, and to encourage a long-term, sustainable approach to the management of the Company by the Employees. For Nomura Group employees who receive a certain amount of remuneration, a portion of the remuneration is stock-related remuneration linked to shares of NHI with an appropriate deferral period applicable, in order to ensure an alignment with the shareholders' interests. All the variable pay awarded after performance assessment need not be paid immediately. Certain portion of variable pay, as decided by Nomura Group, shall be deferred to time horizon of the risks. The portion of deferral arrangement may be made applicable for both cash and non-cash components of the variable pay. Deferral period for such an arrangement may be decided by the Board of the Company in alignment with the applicable Nomura Group compensation policy. All decisions with regard to deferral awards/period shall be managed at a Nomura Group level and shall be communicated to the NRC / Board of the Company.

5.3.4 Control and assurance function personnel: Employees engaged in financial control, risk management, compliance and internal audit may be compensated in a manner that is independent of the business areas they oversee and commensurate with their key role in the Company. Accordingly, such personnel may have higher proportion of fixed compensation. However, a reasonable proportion of compensation shall be in the form of variable pay, thus enabling exercising the options of malus and/or clawback, when warranted and not rendering infructuous.

6. Guaranteed bonus

Guaranteed compensation is discouraged as a practice. This shall be considered only in limited circumstances such as new hire joining/sign-on bonus or, where allowed, strategic business needs. Such bonus will neither be considered part of fixed pay nor of variable pay. Multi-year guarantees are typically prohibited.

7. Malus / Clawback

When granting stock-related compensation, in the event of a material revision of Nomura Group financial statements or a material violation of Nomura Group rules and policies, Employees' compensation may be subject to suspension, reduction, forfeiture of rights, or for some Employees located in specific jurisdictions/regions even re-payment (so-called "clawback").

The NRC shall identify a representative set of situations, which requires it to invoke the malus and clawback clauses that may be applicable on entire variable pay. The NRC shall set the criteria for the application of malus and clawback, and also the period during which malus and/or clawback can be applied, covering at least the deferral and retention periods.