
HINDUSTAN MOTORS LIMITED

NOMINATION AND REMUNERATION POLICY

1. INTRODUCTION

- a. Hindustan Motors limited as a company considers that human resources are its invaluable assets and as a policy aims to realise full potential of such invaluable assets by harmonizing the aspirations of the human resources consistent with the goals of the Company. This **Remuneration Policy** (hereinafter referred to as the “**Policy**”) advocates a principle of attracting the ‘**promising**’ talents, developing the ‘**potential**’ talents and advancing the ‘**best**’ talents. This will help to motivate and retain talents and to remain competitive in the market place and promote good Corporate Governance and thus, safeguard company’s interests. Based on such philosophies, and in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR**”) read with SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2018 and Companies Act, 2013 (“**Act**”) read with Companies (Amendment) Act 2017 along with Circular issued thereunder, including any statutory modifications or re-enactments thereof for the time being in force.
- b. Section 178 (3) of the Act and part D of Schedule II of SEBI LODR requires the Nomination and Remuneration Committee to formulate the criteria for determining qualifications, positive attributes and independence of a director, recommend to the Board a policy relation to the remuneration for the Directors, Key managerial personnel and other employees, criteria for evaluation of performance, board diversity etc.
- c. The Nomination and remuneration Committee (“Committee”) shall meet atleast once in a year and among other functions, shall also review the Policy periodically and may amend the same from time to time, as deemed necessary.

2. OBJECTIVE AND PURPOSE OF THE POLICY

The objective and purpose of this Policy are:

- (i) Selection, appointment and removal of Director, KMP and Senior Management.
- (ii) To outline a framework to ensure that the Company's remuneration levels are aligned with industry practices and are sufficient to attract and retain competent directors on the Board and the Executives of the quality required.
- (iii) Evaluation of performance of the Directors.
- (iv) To have a Policy and mechanism in place to retain, motivate and promote talents to create competitive advantage for the Company by ensuring long term sustainability of talented managerial personnel.

3. GUIDING PRINCIPLES

The Committee while designing the remuneration package should ensure that:

- (i) The level of the incumbent and the composition of remuneration is reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to handle the responsibilities effectively and efficiently.
- (ii) There is a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals. A significant part of the remuneration package is to be linked to the achievement of corporate performance targets of the Company and a strong alignment of interest with stakeholders.
- (iii) The Committee may consult the chairman of the Board as it may feel appropriate.

In the context of the aforesaid objective and principles, the following policy has been formulated by the Committee and adopted by the Board of Directors at its meeting held on 29th May, 2019.

4. EFFECTIVE DATE

This policy shall be effective from 29th day of May, 2019.

5. DEFINITIONS

(A) In this Policy unless the context otherwise requires:

- i. **Board** means Board of Directors of the Company.
- ii. **Committee** means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.
- iii. **Company** means Hindustan Motors Limited.
- iv. **Independent Director** means a director referred to in Section 149 (6) of the Companies Act, 2013 read with SEBI (LODR) Regulation, 2015.
- v. **Key Managerial Personnel (KMP)** means:
 - a) the Chief Executive Officer or the Managing Director or the Manager
 - b) Company Secretary
 - c) Whole-time Director
 - d) Chief Financial Officer and
 - e) 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.
 - f) Such other officer as may be prescribed under the applicable statutory provisions/regulations.
- vii. **Senior Management** shall mean officers/personnel of the Company who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the executive director/managing director/whole time

director/ manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

viii. **Net Profit** shall be calculated as per Section 198 of the Companies Act, 2013.

(B) Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013/ Listing Agreement as may be amended from time to time shall have the meaning respectively assigned to them therein.

6. APPLICABILITY OF THE POLICY

The Policy is applicable to

- (i) Directors (Executive and Non- Executive)
- (ii) Key Managerial Personnel
- (iii) Senior Management Personnel

7. CRITERIA FOR APPOINTMENT OF DIRECTORS, KMP AND SENIOR MANAGEMENT

- i) The Committee shall formulate criteria for determining qualifications, positive attributes and independence of a Director, KMP and senior management.
- ii) The person to be appointed as a Director, KMP or in the senior management should possess adequate qualification, experience and expertise for the position he or she is considered for based on the Company's strategy and needs.
- iii) The Committee shall have the discretion to decide whether such qualification, experience and expertise of the person is sufficient for him or her to effectively discharge duties of the concerned position.
- iv) The person to be appointed as Director, KMP or in the senior management, should possess impeccable reputation for integrity, efficiency, expertise, insights and accomplishments in sectors or areas relevant to the Company's industry.
- v) The person's personal and professional standing must be such that it helps him or her to best complement the other Board members thereby contributing effectively towards Company's growth.
- vi) The Committee shall consider the potential candidates on merit alone.

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- vii) The person must also fulfil the minimum and/or maximum age criteria as applicable under the provisions of the Act and SEBI LODR regulations and take necessary approvals from the shareholders in this regard in case of directors above the maximum age criteria.

8. APPOINTMENT AND REMOVAL OF DIRECTORS AND SENIOR MANAGEMENT

- i) The Committee shall ensure that the size and composition of the Board, KMP and the senior management satisfies the provisions of the Act and SEBI LODR regulations.
- ii) The Committee shall identify persons who are qualified to become directors, KMP and who may be appointed in the senior management with regard to the attributes as specified under clause 7 of this policy and such other qualifications or attributes as the Committee or board may deem necessary from time to time.
- iii) The Committee while considering a person for appointment as director, shall verify that the said person is not debarred from holding the office of director pursuant to any SEBI order.
- iv) The Committee shall then recommend the identified candidates to the Board for final selection and appointment.
- v) W.e.f. 1st April, 2020, the chairperson of the Board shall be a non-executive director and shall not be related to the Managing Director or the Chief Executive Officer of the Company as per the definition of term "relative" under the Act.
- vi) In case of directors, the Committee shall ensure that the number of directorship held by each director in other companies is below the specified limit under the Act and SEBI LODR regulations and amendments made from time to time.
- vii) The Committee shall also ensure that any person appointed as independent director does not have any material pecuniary relationship with the Company, its holding, subsidiary or associate company, or company's promoters or directors.

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- viii) A whole-time KMP of the Company shall not hold office at the same time in more than one company except in its subsidiary company. However, a whole-time KMP can be appointed as a director in any company subject to the same being intimated to the Board or being in accordance with the policy of the company.
 - ix) The Committee shall review the performance of the Board, KMP and senior management from time to time and establish succession plans in order to ensure uninterrupted functioning of the Board.
 - x) The Committee may recommend removal of any director or KMP to the Board with reasons in writing explaining the breach of the company policy or any disqualifications or other such criteria for removal in line with the provisions of the Act, SEBI LODR, rules and regulations made thereunder including any amendments made from time to time.
 - xi) The Board will have the discretion to retain the whole-time directors, KMP and senior management personnel in the same position/remuneration or otherwise, even after attaining the retirement age, for the benefit of the company.

9. TERMS OF APPOINTMENT

- a) **Managing Director/whole-time director/Executive director/Non-executive director**
 - ◆ The Board shall appoint or re-appoint any person as a managing director, whole-time director or manager for a term not exceeding five years (5 years) at a time subject to approval by the members at the next annual general meeting.
 - ◆ Not less than one-third of the total number of directors (excluding independent directors) shall be liable to retirement by rotation at every annual general meeting as per the provisions of the Act and SEBI LODR as applicable.
 - ◆ The directors retiring by rotation at every annual general meeting shall be those who have been longest in the office since last appointment; the retiring director amongst directors appointed on the same day shall be determined by a lot.

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- ◆ At the annual general meeting at which a director retires by rotation, the company may fill up the vacancy either by appointing the retiring director or some other person as may be deemed fit.

b) Independent Director

- ◆ The term of appointment of an Independent Director shall be up to five years (5 years) but he or she shall be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment shall be made in the Board's Report.
- ◆ No independent director shall hold office for more than two consecutive terms but shall become eligible for appointment after expiration of three years (3 years) cool off period, provided that he or she shall not be appointed or associated with the company in any other capacity, either directly or indirectly during such period.

c) KMP and senior management

- ◆ The term of appointment and subsequent retirement of KMPs and senior management shall be as per the provisions of the Act, SEBI LODR, other rules or regulations including any amendments made from time to time and prevailing policy of the company.

10. CRITERIA FOR REMUNERATION OF THE WHOLE-TIME DIRECTOR, MANAGER, KEY MANAGERIAL PERSON AND SENIOR MANAGEMENT PERSONNEL

A General

The Committee shall consider the following criteria with regard to recommendation of remuneration:

- (i) the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate potential candidates of the quality required to run the company successfully;
- (ii) Relationship of remuneration to performance shall be clear and able to meet appropriate performance benchmarks;
- (iii) In line with best governance practices and legal requirements;

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- (iv) remuneration to directors, KMPs and senior management shall involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals; and
 - (v) ensure high quality of work.

B Executive Directors/Whole time directors/Managing directors

- i) The remuneration to the Managing Director and other Executive directors shall be broadly divided into fixed and variable components. The Fixed components shall comprise of monthly salary, allowances, perquisites, amenities and other retirement benefits. The variable component shall comprise of performance based annual commission. The performance criteria are individual performance based on annual targets, company's performance and recent compensation trends in the industry.
- ii) Subject to provisions of the Act and SEBI LODR, the remuneration payable shall be approved by the Board of Directors at the time of appointment subject to approval by shareholders by passing an ordinary resolution at the next general meeting of the company.
- iii) The overall remuneration payable to all the directors of the company including managing director and whole-time directors in respect of any financial year shall not exceed 11% of the net profits of the company.
- iv) Remuneration payable to any one managing director; or whole-time director or manager shall not exceed 5% of the net profits of the company and if there is more than one such director, the remuneration shall not exceed 10% of the net profits of all such directors and manager taken together.
- v) Payment of remuneration in excess of the above statutory limits shall be done by recording of clear reason and justification and obtaining approval of shareholders through special resolution as per the provisions of the Act, SEBI LODR and amendments made thereto from time to time.
- vi) The fees and compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting if –
 - a) The annual remuneration payable to such executive director exceeds rupees five crore (5 crore) or 2.5 percent (2.5%) of the net profits of the company, whichever is higher; or

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- b) Whether there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 percent (5%) of the net profits of the company

Such approval shall be valid only till the expiry of the term of such director.

C REMUNERATION TO NON-EXECUTIVE / INDEPENDENT DIRECTOR

- (i) **Remuneration / Commission:** The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Companies Act, 2013 and the rules made thereunder.
- (ii) **Sitting Fees:** The Non-Executive/Independent Director(s) may receive remuneration by way of fees for attending meetings of Board or Committee thereof, provided that the amount of such fees shall not exceed Rupees One Lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- (iv) **Reimbursement of Expenses:** Expenses in connection with Board and Committee meetings are reimbursed as per account rendered.
- (v) **Stock option:** The Independent directors shall not be entitled to any stock options under the stock option scheme of the company.

D KMP, Senior Management and senior employees one or two level below the BOD

- i) In respect of KMPs, senior management and other employees the remuneration shall be payable based on the person's performance, company's performance, targets achieved, industry benchmark and compensation trends in the industry.
- ii) The Committee shall recommend and finalise the salary and other perks payable to the senior management.

11 CRITERIA FOR EVALUATION OF PERFORMANCE OF DIRECTORS

- i) The evaluation process for performance of the Board, its Committees and directors shall be carried out as per the provisions of the Act and the SEBI LODR regulations.
- ii) The Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by this Committee or by an Independent external agency and also review its implementation and compliance.
- iii) Each director shall be provided with a questionnaire to be filled up, providing feedback on the overall functioning of the Board and its committees.

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- iv) The questionnaire shall cover various parameters such as composition, execution of specific duties, quality and timelines of flow of information, discussions and deliberations of different items of agenda, independence of judgments etc.
 - v) The directors shall also be asked to provide their suggestions for areas of improvements to ensure higher degree of engagement with the management.
 - vi) The evaluation of individual directors shall be carried out considering factors such as contribution, attendance, expertise, decision making skills and other related factors as may be deemed necessary in this exercise.
 - vii) The evaluation of independent directors shall be done by the entire board of directors (excluding the directors being evaluated) with respect to –
 - a) Performance of the directors; and
 - b) Fulfilment of the independence criteria as per the provisions of the Act and SEBI LODR regulations and their independence from the management.

12 BOARD DIVERSITY

- i) Board diversity is an important aspect that makes use of differences in the skills, regional and industrial experience, background, gender and other distinctions to gain competitive advantage in the market.
- ii) The Committee shall periodically review the size and composition of the Board to ensure its structure in terms of different perspectives, skills and expertise in the board room.
- iii) The Committee shall strive to maintain a proper balance in terms of diversity in gender, thought, experience, knowledge and perspective when recommending persons for appointment to the Board.

13 DISCLOSURE REQUIREMENTS

- i) The Company shall also disclose in its Corporate Governance Report a confirmation that in the opinion of the board, the independent directors fulfil the conditions specified in SEBI LODR and are independent of the management.
- ii) The Corporate Governance Report shall also include detailed reasons for the resignation of any independent director who resigns before the expiry of his or her tenure along with a confirmation by such director that there are no other material reasons other than those provided.
- iii) This policy shall be uploaded on the website of the company i.e. www.hindmotor.com

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- iv) The salient features of this policy and any changes made therein in brief along with a web link to the policy shall be provided in the Board's Report.

14 RESPONSIBILITY OF COMMITTEE

The Committee is inter alia responsible for:

- (i) formulating criteria for determining qualifications, positive attributes and independence of a Director for the purpose of this Policy;
- (ii) advising the Board on issues concerning principles for remuneration, remunerations and other terms of employment for the Non-Executive Directors and the Executives;
- (iii) monitoring and evaluating programs for variable remuneration;
- (iv) monitoring and evaluating the application of this Policy;
- (v) monitoring and evaluating current remuneration structures and levels in the Company; and
- (vi) any other responsibility as determined by the Board

15 REMOVAL

The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP's and Senior Management subject to the provisions and compliance of the applicable Act, rules and regulations, if any.

16 DEVIATION FROM THE POLICY

The Board may, in individual or collective case, deviate from this Policy, in its absolute discretion, if there are particular reasons to do so. In the event of any departure from the Policy, the Board shall record the reasons for such departure in the Board's minutes.

17 AMENDMENT

The Company reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever. No such amendment or modification will be, however, binding on the Employees unless the same is notified to the Employees in writing.

Sd/-

Date : 29th May, 2019

A. Sankaranarayanan
Chairman of the Meeting