

# HINDUSTAN AUTO FINANCE LIMITED

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## **NOMINATION AND REMUNERATION POLICY**

### **1. PRELUDE AND LEGAL FRAMEWORK**

Section 178 of the Companies Act, 2013 ("the Act") and the provisions of Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 ("Listing Regulations") require the Nomination and Remuneration Committee ("NRC" or "Committee") of the Board of Directors of every listed company, among other classes of companies, to

- Formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- Identify persons who are qualified to become Directors and who may be appointed in senior management and recommend to the Board their appointment and removal;
- Recommend to the Board a policy in relation to the remuneration for the Directors, Key Managerial Personnel and other employees;
- Carry out evaluation of performance of Board, its committees and individual directors either by itself, by the Board or by an Independent external agency and review its implementation and compliance;
- Carry out any other function contained in the Listing Regulations, as amended from time to time.
- Perform such other functions as may be necessary under any statutory or other regulatory requirements to be performed by the Committee and as delegated by the Board from time to time.

This Policy is divided into 3 parts:

- Part –A covers matters to be dealt with and recommended by the Committee to the Board;
- Part – B covers appointment and nomination; and
- Part – C covers remuneration and perquisites etc.

This policy shall be included in the Report of the Board of Directors.

### **2. PART A - MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE**

The following matters shall be dealt by the Committee: -

#### **(a) Size and composition of the Board:**

Periodically reviewing the size and composition of the Board to ensure that it is structured to make appropriate decisions;

#### **(b) Directors:**

Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommending candidates to the Board, when circumstances warrant the

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appointment of new Director, having regard to qualifications, integrity, expertise and experience for the position.

## **(c) Succession plans:**

Establishing and reviewing Board and senior management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management;

## **(d) Evaluation of performance:**

(i) Make recommendations to the Board on appropriate criteria for evaluation of every director's performance.

(ii) Formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or engage with a third-party facilitator in doing so.

(iii) Identify ongoing training and education programs for the Board to ensure that Non-Executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

## **(e) Board diversity:**

Devising a policy on diversity of the Board of Directors;

## **(f) Remuneration framework and policies:**

The Committee is responsible for reviewing and making recommendations to the Board on:

- the remuneration of the Managing Director, Whole-time Directors, KMPs and Senior Management. Explanation- "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 "managing director (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer:"
- the total remuneration of Non-Executive Directors and for individual remuneration to Non-Executive Directors and the Chairman, including any additional fees payable for membership of Board committees;
- remuneration for KMP and Senior Management.

## **3. PART B – APPOINTMENT, REMOVAL OF DIRECTOR, KMP'S 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, KMP or senior management level and

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recommend to the Board his / her appointment. The Committee has a discretion to decide whether the qualifications, expertise and experience possessed by a person is sufficient/satisfactory for the position.

2. For every appointment of Independent Director, the NRC shall evaluate the balance of skills, knowledge and experience on Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The Person recommended for such role shall meet the description.
3. The Company shall not appoint any resigning Independent Director, as Whole Time Director, unless a period of one year has elapsed from the date of resignation as an Independent Director.
4. The Company shall not appoint or continue the employment of any person as Managing Director / Whole - Time Director or Manager who is below the age of twenty-one years or has attained the age of seventy years provided that the term of the person holding this position may be extended at the discretion of the committee 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.
5. The Company shall not appoint a person or continue the directorship of any person as a non-executive director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.
6. A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the permission of the Board of Directors of the Company.
7. A director shall not be a member in more than ten committees or act as chairperson of more than five committees across all listed entities in which he is a director, which shall be determined as follows,
  - The limit of the committees on which a director may serve in all public limited companies, whether listed or not, shall be included and all other companies including private limited companies, foreign companies and companies under Section 8 of the Companies Act, 2013 shall be excluded;
  - For the purpose of determination of limit, chairpersonship and membership of the audit committee and the Stakeholders' Relationship Committee alone shall be considered

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- **Term / Tenure**

1. Managing Director / Whole-time Director- The Company shall not appoint or re-appoint any person as its Managing Director and CEO or Whole-time Director for a term not exceeding five years at a time. No reappointment shall be made earlier than one year before the expiry of term.
2. Independent Director

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 of such appointment shall be made in the Board's report.

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. However, if a person who has already served as an Independent Director for five years or more in the Company as on April 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement, he / she shall be eligible for appointment for one more term of five years only.

At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time (Executive) Director of a listed company.

- **Removal**

Due to reasons for any disqualification mentioned in the Act and 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 or KMP subject to the provisions and compliance of the said Act, rules and regulations.

- **Retirement**

The Whole-time Directors, KMP and senior management personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. 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.

## **4. PART C - REMUNERATION FOR DIRECTORS, KMP, SENIOR MANAGEMENT AND OTHER EMPLOYEES**

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## **(a) Remuneration to Managing Director/Whole Time Directors/Executive Directors**

The remuneration/commission to be paid to the Managing Director, Whole-Time Director/Executive Directors shall be in accordance with the provisions of the Companies Act, 2013, and the rules made thereunder, Listing Regulations or any other enactment for the being in force & ongoing industrial norms. The fees or compensation payable to executive directors who are promoters or members of promoters group shall be subject to the approval of shareholders in general meeting and in accordance with Listing Regulations.

Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managing Director, Whole-Time Director and Manager.

Where any insurance is taken by the Company on behalf of its Managing Director, Chief Financial Officer, the Company Secretary 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.

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

## **(b) Remuneration to KMP and Senior Management**

The remuneration to KMP's shall be decided and recommended by the Committee to the Board for approval.

The Committee will conduct a review of compensation on periodical basis to ensure KMP/Senior Management of the Company are compensated effectively in manner consistent with the strategy of the Company.

## **(c) Remuneration to Non-Executive/Independent Directors**

The Non-Executive Independent Director may receive sitting fees only as per the provisions of Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

In addition to above, Non-Executive Directors (NED) /Independent Directors (ID) will be entitled to reimbursement of all expenses for participation in Board and other meetings.

ID and/or NED may be paid for the services rendered such director in any other capacity provided that a) the services are of a professional nature; and b) the Committee is of the opinion that the director possesses requisite qualification for the practice of the profession.

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The approval of shareholders by special resolution shall be obtained every year in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors giving details of remuneration thereof.

The Independent Directors shall not be entitled to any stock option of the Company.

## **(d) Remuneration to other employees**

The compensation for other employees would be as per compensation policy of the Company, as may be revised by the management from time to time and approved by MD/WTd.

## **5. COMPOSITION OF NOMINATION AND REMUNERATION COMMITTEE**

The responsibility of Nomination and Remuneration is at the level of the Board of Directors of the company. The BOD shall constitute a Nomination and Remuneration Committee in compliance with Section 178 of the Act and Listing Regulations consisting of the following board members:

1. Chairperson (Independent Director)
2. Member (Independent/Non – Executive Director)
3. Member (Independent/Non – Executive Director)

Further that half of the members of the committee shall be Independent Directors.

The quorum for a meeting of the Nomination and Remuneration Committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.

The Nomination and Remuneration Committee shall meet at least once in a year.

## **6. ROLES AND RESPONSIBILITIES OF THE NOMINATION AND REMUNERATION COMMITTEE**

The Responsibilities of the Committee shall be such as prescribed under the Act and Rules made there under and Part D of Schedule II of the Listing Regulations (as amended from time to time)

## **7. LIMITATION AND AMENDMENTS**

The Board of Directors may in their discretion and on recommendation of the NR committee, make any changes/modifications and/or amendments to this Policy from time to time.

Requirements with respect to quorum, notice of meeting, documentation, etc shall be in conformity with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and approved by the Central Government, unless expressly stated otherwise.

In the event of any conflict between the provisions of this Policy and of the Act or Listing Regulations or any other statutory enactments, rules, the provisions of such Act or Listing Regulations or statutory enactments, rules shall prevail over and automatically be applicable to this Policy and the relevant provisions of the Policy would be amended/modified in due course to make it consistent with the law.