

NOMINATION AND REMUNERATION POLICY

*(As approved by the Board of Directors on 22nd September 2014 and
Amended on 10th May 2018)*

NOMINATION AND REMUNERATION POLICY

TERMS OF REFERENCE

Preamble

In accordance with the requirements under Section 178 of the Companies Act, 2013 ("**Act**") and as per Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 (SEBI LODR Regulations), the Nomination and Remuneration Committee of directors ("**NRC**") has formulated this Nomination and Remuneration Policy ("**Policy**") to govern the terms of nomination / appointment and remuneration of (i) directors of HSSL ("**Director(s)**"), (ii) key managerial personnel of HSSL ("**KMP**"), and (iii) Senior Management Personnel of HSSL ("**SMP**") and the same was approved by the board of directors of Harita Seating Systems Limited ("**HSSL**").

1. Objective and Purpose

The fundamental objectives NRC are as follows:

- 1.1 Guiding the board of HSSL ("**Board**") to lay down the terms and conditions in relation to appointment and removal of Director(s), KMP and SMP of HSSL.
- 1.2 Evaluating the performance of the Director(s) and providing necessary report to the Board for its further evaluation and consideration.
- 1.3 Recommending to the Board on remuneration payable to the Director(s), KMP and SMP of HSSL based on (i) HSSL's structure and financial performance and (ii) remuneration trends and practices that prevail in peer companies across automobile industry.
- 1.4 Retaining, motivating and promoting talent among the employees and ensuring long term sustainability of talented SMP by creation of competitive advantage through a structured talent review.
- 1.5 Devise a policy on diversity in the Board.
- 1.6 Develop a succession plan for the Board and SMP.

In the context of the aforesaid criteria, this Policy has been formulated by the NRC and adopted by the Board at its meeting held on 22nd September 2014.

2. Definitions

- 2.1 "**KMP**" means and includes chief executive officer, managing director, whole time director, manager, chief financial officer and company secretary of HSSL and any other officer of HSSL as identified by the Board.

2.2 **“SMP”** means presidents, executive vice president and senior vice president(s) of HSSL, who are members of HSSL’s core management team, being the functional heads, excluding the Board.

Unless the context otherwise requires, the “words and expressions” used in this Policy and not defined herein but defined in the Act, as may be amended, from time to time, shall have the meaning assigned to them therein.

3. Applicability

This Policy is applicable to all Director(s), KMP and SMP of HSSL.

4. Role of NRC

The role / scope of the NRC shall be as follows:

- 4.1 To make recommendations to the Board with respect to incentive compensation plans for executive Director(s) and remuneration of non-executive Director(s).
- 4.2 To identify persons who are qualified to become Director(s), KMP and SMP of HSSL.
- 4.3 To recommend to the Board for appointment / removal of Director(s), KMP and SMP of HSSL and shall specify the manner for effective evaluation of performance of Board, its committees and individual Directors and review its implementation and compliance’.
- 4.4 To formulate criteria for determining qualification, positive attributes and independence of a Director
- 4.5 To recommend to the Board a policy for remuneration of Director(s), KMP and SMP of HSSL.
- 4.6 To formulate policies to ensure that—
 - (i) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Director(s) of the quality required to run HSSL successfully;
 - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (iii) Remuneration to Director(s), KMP and SMP of HSSL involve a balance between fixed and incentive pay reflecting short and long-term

performance objectives appropriate to the working of HSSL and its goals.

- 4.7 To review the annual performance of executive and non-executive Director(s).
- 4.8 To annually review the duties and performance of the chairman of the Board and recommend the process to the Board for his election.
- 4.9 To assist the Board in the establishment and implementation of an appropriate performance evaluation / self-assessment process for the members of the Board and the committees.
- 4.10 To perform review and evaluation, of the performance of the member of the Board and the committee members, at least annually.
- 4.11 To periodically review the composition and duties of HSSL's permanent committees and recommend any changes in these committees to the Board.
- 4.12 To consider the adequacy of the constituent documents of HSSL.
- 4.13 To formulate a criteria for evaluation of independent Director(s) and the Board.
- 4.14 To devise a policy on Board diversity.
- 4.15 To carry out any other responsibilities and duties delegated to it by the Board from time to time.
- 4.16 To carry out additional functions and adopt additional policies and procedures as may be required or appropriate in light of changing business, legislative, regulatory, legal or other conditions.

5. Composition and quorum of the NRC

- 5.1 NRC shall consist of a minimum 3 (three) non-executive Director(s), majority of them being independent. The chairman of the NRC shall be an independent Director. Chairman of the Board may be appointed as a member of the NRC but he shall not be appointed as the chairman of the NRC. The company secretary of HSSL shall act as the secretary to the NRC.
- 5.2 At least 2 (two) members shall constitute a valid quorum for the NRC meeting. NRC may invite any executive(s) of HSSL, as it considers appropriate, to be present at the meetings of NRC. A member is not entitled to be present when his / her remuneration is discussed or performance is evaluated at NRC meeting.

- 5.3 The term of the NRC shall be continued unless terminated by the Board and the membership of the Committee shall be disclosed in the annual report of HSSL.

6. Voting

Matters arising for determination at NRC meetings shall be decided by majority of votes of members present and any decision arrived at by the members shall for all purposes be deemed a decision of NRC. The chairman of NRC shall have a casting vote in case of tie of votes.

7. Meetings of NRC

The meeting of the NRC shall be held at such time and interval as may be required.

8. Appointment of Director(s), KMP and SMP of HSSL

- 8.1 NRC shall identify, ascertain the integrity, qualification, expertise, experience of a person and recommend to the Board for his / her appointment as director, KMP and SMP of HSSL;
- 8.2 A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- 8.3 NRC shall ensure that any person(s) who is / are appointed or continues in the employment of HSSL as its executive chairman, managing director, whole time director should comply with the conditions as laid out under Part I of Schedule V of the Act.
- 8.4 NRC shall ensure that any appointment of a person as an independent Director of HSSL shall be made in accordance with the provisions of Section 149 read with Schedule IV of the Act along with any other applicable provisions and Clause 49 of the Listing Agreement.

9. Tenure of appointment

9.1 Executive Directors

Board shall, on the recommendation of NRC, appoint / re-appoint any person as its executive chairman, managing director, whole time director or by whatever name called, for a term not exceeding 5 (five) years at a

time. Further, no re-appointment of such person shall be made at a time earlier than 1 (one) year before the expiry of term.

9.2 Independent director

9.2.1 NRC shall ensure that an independent Director appointed on the Board shall hold office for a term of 5 (five) consecutive years and he shall be eligible for reappointment on passing of a special resolution by HSSL and disclosure of such appointment in the Board's report.

9.2.2 Further, NRC shall ensure that no independent Director shall hold office for more than 2 (two) consecutive terms, but the independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an independent Director. Provided that such independent Director shall not, during the said period of 3 (three) years, be appointed in or be associated with HSSL in any other capacity, either directly or indirectly.

10. Evaluation

The Committee shall specify the manner for effective evaluation of performance of Board as a whole, its Committees and individual directors.

The Committee shall monitor and review Board Evaluation Framework, conduct an assessment of the performance of the Board, each Board Committee, the Independent Directors, and the Chair of the Board against criteria as determined by the board.

The performance evaluation of Independent Directors shall be done by the entire Board of Directors, on the basis of recommendations of the Committee (excluding the director being evaluated).

The Committee, on request of the Board, may formulate evaluation methodology either by board or by an external agency, for approval of the board

The Committee may invite such executives, as it considers appropriate to be present at the meetings of the Committee.

11. Removal

NRC shall recommend to the Board, with reasons recorded in writing, for removal / suspension of any Director(s), KMP and SMP of HSSL if any of such aforementioned person(s), due to any reason(s), are eligible for disqualification under the provisions of the Act or any rules made thereunder or under any other applicable law.

12. Retirement

The Director, KMP and SMP of HSSL shall be eligible for retirement as per the applicable provisions of the Act and any prevailing policy of HSSL in relation to retirement of employees. However, the Board shall have the discretion to retain such retiring Director(s), KMP and SMP of HSSL at same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of HSSL.

13. Remuneration

13.1 Executive Director(s)

13.1.1 NRC shall determine the remuneration payable to the executive Director(s) and recommend to the Board for its approval. The Board's approval shall be subject to the prior approval or post approval ratification of the shareholders of the Company and / or Central Government, if required under applicable law. The remuneration payable to the executive chairman, managing Director and whole time Director of HSSL shall be in accordance with the applicable percentage(s) / slab(s) / condition(s) as set out in (i) the articles of association of HSSL and (ii) Act and any rules made thereunder, which may be in force from time to time.

13.1.2 Where HSSL is required to avail any insurance on behalf of its executive Director(s) for indemnifying them against any liability(ies), the same shall be availed by the Board and premium payable on such insurance shall not be treated as part of the remuneration payable by HSSL to any such personnel. However, in the event that such executive Director is proved guilty resulting in an insurance claim against HSSL, any premium paid on such insurance shall be treated as part of the remuneration of the executive Director(s), responsible for such claim.

13.2 Non- Executive / Independent Director(s)

The non – executive /independent Director(s) shall receive remuneration by way of fees for attending meetings of Board or any committee in which Director(s) is member, provided that, the amount of such sitting fees shall not exceed (i) INR 1,00,000 (Indian Rupees One lakh) per meeting of the Board or any committee in which the Director(s) is member or (ii) such other amount as may be prescribed by the Central Government from time to time.

13.3 Remuneration to KMPs and SMPs of HSSL:

NRC shall recommend to the Board and the Board will approve the remuneration payable to (i) KMP, who is / are not an executive Director(s), and (ii) SMP of HSSL. The break-up of the remuneration payable to KMP

and SMP of HSSL including the perquisites such as employer's contribution to provident fund, pension scheme, medical expenses, club fees and like shall also be approved by the Board on the recommendations received from the NRC.

14. Profit Related Commission

14.1 Executive Director(s)

In addition to fixed remuneration, the executive Director(s) shall be entitled to receive commission linked to the profits of HSSL for that financial year subject to the limits prescribed under the provisions of the Act.

14.2 Non – Executive / Independent Director(s)

In addition to the sitting fees, the non – executive / independent Director(s) shall be entitled to commission from HSSL subject to the monetary limit approved by shareholders of HSSL and aggregate commission amount would not exceed the limit of 1% (one percent) of the profits of HSSL computed in accordance with applicable provisions of the Act.

14.3 Other KMPs and Senior Management Personnel

In addition to fixed remuneration, to motivate other KMP viz., who is / are not an executive Director(s) and SMP of HSSL to pursue a long term growth and success for and of HSSL, the NRC shall recommend the Board the amounts that may be distributed amongst other KMP and SMP of HSSL as performance based remuneration, on such interval as the NRC may think fit.

15. Equity based remuneration

15.1 Subject to the provisions of the Act, all Director(s), KMP and SMP of HSSL shall be entitled to avail any stock options including stock appreciation rights or such other benefits if issued by HSSL, except for:

- (i) an employee, who is promoter(s) or relative(s) of the promoter(s);
- (ii) any Director(s) holding more than 10% (ten percent) equity shares of HSSL, either directly or indirectly.

15.2 The equity based remuneration to executive chairman, managing Director and whole time Director(s) of HSSL shall be subject to limits prescribed under the Act or any rules framed thereunder and any other applicable law including securities laws in India

15.3 An independent Director shall not be entitled to take part in any stock option plan issued by the Board for the employees of HSSL.

16. Minimum remuneration:

If, in any financial year, HSSL has no profits or inadequate profits, it shall pay remuneration to its executive chairman, managing Director and whole time Director(s) in accordance with the provisions of Schedule V of the Act, provided that, any deviation in remuneration from the provisions of Schedule V of the Act shall be with previous approval of the Central Government.

17. Provisions for excess remuneration:

In the event that any executive chairman, managing Director and whole time Director(s) draws or receives, either directly or indirectly, remuneration in excess of the limits prescribed under provisions of Schedule V of the Act or without the prior sanction of the Central Government, if required, such executive chairman, managing Director and whole time Director(s) shall refund such sums to HSSL and until such sum is refunded, he / she shall hold it in trust for HSSL. HSSL shall not waive any of its recovery right of the refundable sum unless permitted by the Central Government.

18. Authority

The Committee shall have free access to management and management information. The Committee, at its sole authority, may seek the advice of outside experts or consultants at the Company's expenses where judged necessary, to discharge its duties and responsibilities.

19. Implementation and Review

NRC is responsible for the monitoring, implementation and review of this Policy. NRC shall provide recommendations to the Board as to how to effectively structure and facilitate a remuneration strategy, which will meet the needs of HSSL. The Board shall review the (i) contents of and (ii) compliance with this Policy at regular interval.

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