**HINDUSTAN HARDY LIMITED**

**Policy on Remuneration of Directors, Key Managerial Personnel and other employees**

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| **1.01** | **Guiding Principles:** |
|  | 1. The terms of employment and remuneration of Managing Director (MD), Wholetime Directors (WTD), Key Management Persons (KMPs) and Senior Management Persons (SMPs) shall be competitive in order to ensure that the Company can attract and retain competent talent 2. The remuneration Policy shall ensure that: 3. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors/KMPs and SMPs of the calibrerequired to run the Company successfully. 4. Relationship of remuneration to individual and company performance is clear and meets appropriate performance benchmarks. These benchmarks will be quantified where possible. 5. Remuneration to directors, KMP and SMP involves a balance between fixed and variable pay. The variable pay should be linked tobothshort and long term performance objectives and goals set by the Company at a corporate and departmental level Variable pay should be linked to quantifiable and measurable targets where possible. 6. The determination of variable pay is a transparent and fair process. Employees should be given feedback regarding their individual performance. This feedback should identify the individual’s strengths as well as highlight weaknesses and areas for improvement. 7. Remuneration package is linked to the achievement of corporate performance targets 8. While determining the remuneration and incentives for the MD/ WTD and KMP’s, the following shall be considered: 9. pay and employment conditions with peers / elsewhere in the competitive market 10. benchmarking with the industry practices 11. performance of the individual 12. company Performance 13. Rating of individual performance also takes into account integrity, teamwork and relationship with superiors and juniors. 14. For the benchmarking with industry practice, criteria of size, profitability and geographical area shall also be given due consideration. 15. The pay structures shall be appropriately aligned across comparable levels in the Company. |
| **1.02** | **Remuneration Policy:** |
|  | 1. **SMPs & KMPS (other than MD/WTD):**    1. Remuneration packages shall be designed in such a manner that: 2. Creates a strong performance-orientated environment and encourages employees to work towards achievingthe Company’s objectives & goals over the short and long-term 3. Motivates employees to perform to their maximum potential and recognizes and rewards honesty and hard work. 4. Promotes cooperation and teamwork among employees and encourages employees to mentor and develop their juniors. 5. Attracts good calibre executives in a competitive global market and remunerate executives fairly and responsibly.    1. Remuneration shall be competitive and shall include salary comprising of both fixed and variable components, performance incentives and other benefits such as retiral benefits, health care insurance and hospitalisation benefits,    2. Remuneration shall be evaluated annually and annual increase shall be decided considering the performance of the individual and also of the Company. Industry practices/ trends shall also be given due consideration.    3. The remuneration to be paid shall be recommended by the NRC considering individual and company performance as well as the prevailing market condition. |
|  | 1. **MD/WTD:** 2. Remuneration to the MD and WTD shall be proposed by the NRC and subsequently approved by the Board of Directors and the shareholders of the Company, whenever required. 3. The criterion on which the MD and WTD are evaluated shall include:    1. Achievement of both short term and long term targets    2. Profitability    3. Growth    4. Cash flow and inventory management    5. Manufacturing quality and rejections, both in-house and customer    6. Customer relationships    7. Development of new business    8. Development and empowerment of mid-level management 4. Remuneration shall be evaluated annually against company performance and a benchmark of international and domestic companies, which are similar in size and complexity. Benchmark information shall be obtained from internationally recognized compensation service consultancies. 5. Remuneration should be structured in a way that encourages the MD and WTD to promote the long term interests of the Company. 6. Total remuneration for the MD and WTD shall be comprised of the following: 7. Salary (both fixed & variable). 8. Perquisites like house rent allowance, domiciliary medical expenses and club memberships etc. 9. Retirement benefits, made in accordance with applicable laws and policies of the Company. 10. In addition, they shall also be entitled to a Performance Bonus linked to their individual performance and also the performance of the Company. 11. It shall be ensured that total remuneration payable to MD and WTD’s shall not increase 10% of the net profit of the Company (not exceeding 5% for MD), computed in accordance with Section 198 of the Companies Act, 2013. 12. **Non-Executive Director (NEDs):** 13. NEDs shall be entitled to such sitting fees as may be decided by the Board of Directors from time to time for attending the meeting of the Board and of the Committee thereof. 14. NEDs shall also be entitled for payment of commission, if any, as upto the limits permitted in Section 197 of the Companies Act, 2013 and approved by the shareholders from time to time. 15. IDs shall not be eligible for any Stock Options, pursuant to any Stock Option Plan adopted by the Company. 16. The NEDs shall be eligible for remuneration of such professional services rendered if in the opinion of the NRC, the NED possesses the requisite qualification for rendering such professional services. |
| **3.00** | **DIRECTOR AND OFFICER LIABILITY INSURANCE:** |
|  | * 1. The Company shall provide an insurance cover to Directors, KMPS & SMPS for indemnifying them against any liability in respect of any negligence, default, misfeasance, breach of duty or breach of trust shall not be treated as a part of remuneration paid to them.   2. The premium paid by the Company for such insurance cover, called for Directors and Officers Liability Insurance Policy, taken for the above purpose shall be paid by the Company without any charge to the Directors, KMPs and SMPs. |
| **4.00** | **APPLICABILITY:** |
|  | 1. This Remuneration Policy shall apply to all existing and future employment agreements with KMPs & SMPs and also with the Directors. 2. In all respects, the Remuneration Policy shall be subject to overall guidance of the Board of Directors. Any departure from the policy shall be approved by the Board. |
| **5.00** | **DISCLOSURES:** |
|  | The Company shall disclose the following in the Board’s report and the Financial Statements:   1. In the Board’s Report, such particulars as are prescribed under the Companies Act, 2013 and Rules made thereunder and 2. In the Corporate Governance Report, the particulars as prescribed in Clause 49 of the Listing Agreement**.** |
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