

HERO MOTORS LIMITED

NOMINATION AND REMUNERATION POLICY

I. INTRODUCTION

The Company in compliance with Section 178 of The Companies Act, 2013 has formulated the Nomination and Remuneration Policy (“**Policy**”).

This Policy has been designed to attract, motivate and retain directors and employees, improve their productivity and encouraging initiatives and their personal growth besides offering them appropriate remuneration and superannuation benefits.

The Policy reflects the Company’s objectives for good corporate governance as well as sustained long term value creation for shareholders.

II. SCOPE OF THE POLICY

This Policy applies to Directors, Key Managerial Personnel’s and other Senior Management Personnel’s of the Company. It does not cover temporary or contractual employees, trainees, apprentices, consultants engaged on a retainer basis or otherwise and casual labour.

III. OBJECTIVE

The objective of this Policy is to lay down a framework in relation to appointment and remuneration of Directors, Key Managerial Personnel’s and Senior Management.

IV. DEFINITIONS

- i. “**Act**” means the Companies Act, 2013 and rules framed there under, as amended from time to time;
- ii. “**Board**” means Board of Directors of the Company;
- iii. “**Directors**” mean Directors of the Company;
- iv. “**Key Managerial Personnel**” means;
 - (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the company secretary;
 - (iii) the whole-time director;
 - (iv) 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
 - (v) such other officer as may be prescribed;
- v. “**Nomination and Remuneration Committee**” means the Nomination and Remuneration Committee of the Board;
- vi. “**Policy**” means this Nomination and Remuneration Policy as amended by the Board from time to time;

- vii. “**Senior Management**” means officers/personnel of the Company who are members of its core management team excluding board of directors and shall comprise all members of management one level below the chief executive officer/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;

Unless the context otherwise requires, words and expressions used in this Policy and not defined herein but defined in The Companies Act, 2013 shall have the meaning respectively assigned to them therein.

V. ROLE AND RESPONSIBILITIES OF THE NOMINATION AND REMUNERATION COMMITTEE (“COMMITTEE”)

The Key Objectives of the Committee would be:

- i. To identify persons who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down and to recommend to the Board of Directors their appointment and/or removal;
- ii. To carry out evaluation of every Director’s performance;
- iii. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to our Board of Directors a policy, relating to the remuneration for the directors, key managerial personnel and other employees such that its policies ensure that –
 - the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
 - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals;
- iv. To formulate the criteria for evaluation of Independent Directors and the Board of Directors;
- v. To recommend to the Board of Directors whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors;
- vi. To devise a policy on the diversity of the Board of Directors;
- vii. To recommend/review remuneration of the Managing Director(s) and Whole-time Director(s) based on their performance and defined assessment criteria;
- viii. To carry out any other function as is mandated by the Board of Directors from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable;
- ix. To administration and superintendence, the employee stock option scheme or employees benefit schemes as approved by Board of Directors of the Company; and
- x. To formulate the detailed terms and conditions of such schemes, frame suitable policies and procedures to ensure that there is no violation of applicable laws.

VI. GENERAL

This Policy is divided in two parts: -

Part – A covers the appointment and removal of Directors, Key Managerial Personnel’s and Senior Management; and

Part – B covers remuneration for Directors, Key Managerial Personnel’s and Senior Management

PART A

APPOINTMENT AND REMOVAL OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL'S AND SENIOR MANAGEMENT

1. Principles for identification and selection of Directors including Independent Directors

The selection of **Director** can be made in any of the following ways:

- on recommendation of the Chairman or any other Director;
- from within the Company hierarchy; or
- any other way as governed by the prevailing HR Policy

The selection of **Independent Director** shall be made in any of the following ways:

- by way of selection from the data bank of Independent Directors maintained by the Central Government institute or association, as may be notified by the Central Government, having expertise in creation and maintenance of such data bank which contains the names, addresses and qualifications of persons who are eligible and willing to act as independent directors. Provided that responsibility of exercising due diligence before selecting a person from the data bank, as an independent director shall lie with the company making such appointment;
- fulfil the criteria provided for independent directors under the Act; and
- has no conflict of interest with his/her duties

2. Principles for identification and selection of Key Managerial Personnel's and Senior Management

Identification and selection of Key Managerial Personnel's and employees who are a part of senior management will be done on the basis of below parameters by the concerned interview panel of the Company:

- The person should possess adequate qualification, expertise, necessary skills (leadership skills, communication skills, managerial skills), good business acumen, and relevant experience for the position he / she is considered for appointment;
- Candidate should be educationally qualified for the role for which he/she is being appointed;
- He/she should be intelligent & fast learner, good leader, organizer & administrator, good analytical skills, creative & innovative;
- Should have strong interpersonal skills;
- Should be flexible & adaptable;
- Potential for growth and the ability and willingness to take on more responsibility;
- Should be ethical, honest, team player;
- Before appointment, the Company shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, Key Managerial Personnel and Senior Management.
- Shouldn't be below the age of twenty-one years or has attained the age of seventy years.

3. Term / Tenure

a. *Managing Director/Whole-time Director/Executive Director/Manager:*

- The Company shall appoint or re-appoint any person as its Managing Director, Executive Chairman or Executive Director or Whole Time Director for a term not exceeding five (5) years at a time. No re-appointment shall be made earlier than one (1) year before the expiry of term.
- The Company shall not appoint or continue the employment of any person as Managing Director/ Executive Chairman/ Whole-time Director/Manager who has attained the age of seventy years. Provided that the term of the person holding this position may be extended beyond the age of seventy years with the approval of the 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.

b. *Independent Director:*

- An Independent Director shall hold office for a term up to five (5) consecutive years on the Board of the Company and will be eligible for re-appointment on passing of special resolution by the Company and disclosure of such appointment in the Board's report.
- No Independent Director shall hold office for more than two (2) consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three (3) years of ceasing to become an Independent Director.

Provided that an Independent Director shall not, during the said period of three (3) years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

c. *Key Managerial Personnel and Senior Management:*

- The tenure and terms of appointment of Key Managerial Personnel's and Senior Management will be as per the prevailing HR policy of the Company and as per the applicable provisions of the Act.

4. Retirement

The Director, Key Managerial Personnel and employee's part of senior management shall retire as per the applicable provisions of the Act and the prevailing retirement policy of the Company. The Board shall have the discretion to retain the Director/Key Managerial Personnel, Senior Management personnel in the same position/remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

5. Removal

Based on the yearly evaluation of directors, the Committee shall recommend the re-appointment/ removal of any Director to the Board. In addition, due to any disqualification mentioned in the Act or in any other applicable law, Committee may recommend the removal of Director or Key Managerial Personnel or Senior Management.

PART B

REMUNERATION OF THE DIRECTORS, KEY MANAGERIAL PERSONNEL'S AND SENIOR MANAGEMENT

1. General

- a. The remuneration / compensation / commission etc. to Directors, Key Managerial Personnel's and Senior Management will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the approval of the shareholders of the Company, wherever required.
- b. The remuneration and commission to be paid to Directors shall be as per the statutory provisions of the Act and the rules made there under for the time being in force and as amended from time to time.
- c. Increase 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 Directors.

2. Remuneration to Directors, Key Managerial Personnel's and Senior Management

A. Remuneration/compensation to Executive Directors:

- i. Remuneration/Compensation to Executive Directors shall be paid within the overall limits as provided in the Act. Remuneration on the recommendation of Committee shall be approved by the Board and wherever applicable approvals of shareholders and Central Government will be taken.
- ii. Remuneration/compensation to Executive Directors (Managing Director and Whole-time Director) shall be divided into fix remuneration and variable remuneration. Fixed remuneration will be paid on monthly basis and variable remuneration will be paid on annual basis once variable component of remuneration is ascertained based on the performance of the Company.

B. Remuneration to Non-Executive / Independent Director:

- i. Sitting Fees: The Non- Executive / Independent Director 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 the maximum amount payable for attending per meeting of the Board or Committee, as provided in the Act i.e. INR 1,00,000.
- ii. Stock Options: An Independent Director shall not be entitled to any stock option of the Company. However, any director other than Independent director shall be eligible for entitlement of stock option at the discretion of the Company.

C. Remuneration/compensation to Key Managerial Personnel and Senior Management:

- i. Remuneration of Key Managerial Personnel and Senior Management shall be divided into fix remuneration and variable remuneration. Fixed remuneration will be decided on the basis of the role and position of the individual, including professional experience, responsibility, job complexity and local market conditions. Fixed remuneration will be paid on monthly basis and variable remuneration

will be paid on annual basis once variable component of remuneration is ascertained based on the individual performance and performance of the Company.

- ii. Stock options may also be issued to Key Managerial Personnel and Senior Management Personnel on the basis of recommendation of the Committee. The Committee shall subject to provisions of applicable laws decide the conditions related to grant, vesting, exercise and pricing of stock options.

VII. REVIEW AND AMENDMENTS

- i. The Committee or the Board may review the policy as and when it deems necessary.
- ii. The Board of Directors or the Committee shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with new provisions or replace this Policy entirely with a new Policy.

VIII. DISCLOSURE AND DISSEMINATION

- i. The salient features of the Policy along with web address shall be disclosed in the Board's report.
- ii. The Policy is also available on the website of the Company.
- iii. The annual report of the Company would specify the details of remuneration paid to Directors.
- iv. The Company is required to publish its criteria of making payments to non-executive directors in its annual report. Alternatively, this may also be put up on the Company's website and reference be drawn in the annual report.
