

HINDUSTHAN SPECIALITY CHEMICALS LIMITED

NOMINATION AND REMUNERATION POLICY

PREAMBLE

The Remuneration Policy of Hindusthan Speciality Chemicals Ltd. (the "Company") is designed to attract, motivate, improve productivity and retain manpower, by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and superannuation benefits. The policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for shareholders.

OBJECTIVE

This Remuneration Policy applies to directors and senior management including Key Managerial Personnel (KMP) of the Company.

DEFINITIONS

- a. **“Board”**: Board means Board of Directors of the Company.
- b. **“Director”**: Directors means Directors of the Company.
- c. **“Committee”**: Committee means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.
- d. **“Company”**: Company means Hindusthan Speciality Chemicals Limited.
- e. **“Independent Director”**: As provided under the Companies Act, 2013 and relevant rules thereto.
- f. **“Key Managerial Personnel”**: Key Managerial Personnel (KMP) means-
 1. the Managing Director, or Chief Executive Officer or manager and in their absence, a whole time director;
 2. the Company Secretary
 3. the Chief Financial Officer; and
 4. Such other officer as may be prescribed under the applicable statutory provisions/regulations and approved by Board from time to time.
- g. **“Senior Management Personnel”**: shall mean the personnel of the Company who are members of its Core Management team, excluding the Board of Directors, comprising all members of management that are one level below the Executive Directors.

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

KEY PRINCIPLES

The following principles guide the design of remuneration under this Policy:

- I. Attract, retain and motivate the right talent, including the Directors and Employees as required to meet the goals of the Company.
- II. Remuneration to the Directors, KMPs, and SMPs is aligned with the short term and long term goals and performance of the Company.

- III. Promote the culture of meritocracy, performance and accountability. Give appropriate weightage to individual business and overall Company's performance.
- IV. Reflect market trends and practices, competitive positions to attract the required talent.

POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMP AND SENIOR MANAGEMENT

a) Appointment criteria and qualifications

- The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director, KMP or Senior Management and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- A person to be appointed as Director, KMP or Senior Management should possess adequate qualification, expertise and experience for the position he / she is considered for.
- A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- For every appointment of an independent director, the NRC shall evaluate the balance of skills, knowledge and experience on the 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.
- For the purpose of identifying suitable candidates, the Committee may;
 - a. use the services of an external agencies, if required
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity and
 - c. consider the time commitments of the candidates.
- The Company shall appoint or continue the employment of a person as Managing Director / wholtime Director and non-executive Director who has not attained the maximum age of retirement as prescribed under relevant laws.

b) Term / Tenure

Managing Director/Whole-time Director/Non-Executive Director/Independent Director will be as per the relevant laws.

c) 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, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

d) Resignation

The committee shall consider and inform the Board, the resignation of the Director, KMP or Senior Management subject to the provisions and compliance of the said Act, rules and regulations.

REMUNERATION PAID TO EXECUTIVE DIRECTORS/MANAGING DIRECTORS

1. The Remuneration to Executive Directors will be approved by the Board of Directors based on the recommendations of this Committee, subject to the approval of shareholders and such

other authorities as may be applicable. The concerned Executive Director will not participate in such discussions of the Board/Committee.

2. The compliance of the relevant provisions of the Companies Act, 2013 regarding the limits of remuneration will be ensured.
3. The Remuneration will include the following components:
 - a) Basic Salary
 - Provides for a fixed, per month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market.
 - Will be subject to an annual increase as per the recommendations of the Committee and the approval of the Board of Directors.
 - b) Commission
 - Executive Directors will be allowed remuneration, by way of commission in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities.
 - The total amount of remuneration along with Commission paid to all Executive Directors shall not exceed the limits laid down in Sections 197 and 198 of the Companies Act, 2013 and in other applicable laws.
 - The amount of commission shall be paid subject to recommendation of the committee and approval of the Board of Directors.
 - c) Perquisites and Allowances
 - Perquisites and Allowances commensurate to the position of Executive Directors/MD.
 - d) Contribution to Provident, Superannuation fund and Gratuity payments.
 - e) Minimum Remuneration
 - In the event of absence or inadequacy of profits in any financial year, the remuneration approved by the shareholders excluding commission is paid to Executive Directors as a minimum remuneration, subject to necessary approvals, if any.

REMUNERATION PAID TO NON-EXECUTIVE AND INDEPENDENT DIRECTORS

The Non-Executive and Independent Directors would be paid remuneration by way of sitting fees for attending meetings of Board or Committee as approved by Board. The amount of such fees shall be subject to ceiling/limits as provided under the Companies Act, 2013 and Rules made thereunder or any other enactment for the time being in force.

REMUNERATION PAID TO KMPs/SENIOR MANAGEMENT PERSONNEL/OTHER EMPLOYEES

The Remuneration to be paid to KMPs/Senior Management Personnel/other employees is based on the grade, role and position in the Company, the experience, qualification, skills and competencies of the related personnel/employees, the market trends, practices and benchmarks. The positioning strategy is to see that the compensation provides adequate opportunity to attract the required talent and retain the same to be able to meet the requirements of the job and business.

The remuneration is subject to review on the basis of individual and business performance. The performance of employees is reviewed based on competency assessment and key results delivered, along with using a forced distribution method/bell curve. The performance assessment, more specifically, is used as an input to determine merit/special increments, performance bonus, rewards, incentives (short term and long term) and other recognitions/promotions.

*Special Increment given to KMPs/Senior Management personnel shall be approved by the Managing Director.

* The increment provided will be as per the terms and Conditions provided under the Appointment/Offer Letter or in consultation with HR department.

The remuneration includes salary, allowances, perquisites, awards, loans/advances as per Company's scheme, retirement benefits, benefits under welfare schemes, subsidies, etc.

The objective is to ensure that the compensation engage the employees to give their best performance.

AMENDMENTS

Notwithstanding the above, the applicable provisions and amendments, if any, under the Companies Act, 2013 in respect of this policy and related matters shall be implemented by the Company. The Committee may recommend amendments to this Policy from time to time as it deems appropriate.

DISCLOSURE

The Policy shall be disclosed on the website of the company.