

HAPPIEST MINDS TECHNOLOGIES LIMITED



NOMINATION AND REMUNERATION POLICY

Effective date	June 9, 2020
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HAPPIEST MINDS TECHNOLOGIES LIMITED

NOMINATION AND REMUNERATION POLICY

1. Introduction

- 1.1 This policy on the nomination and remuneration of Directors, Key Managerial Personnel and Senior Management Personnel has been formulated by the Nomination and Remuneration Committee and approved by the Board of Directors ("**Policy**").
- 1.2 This Policy is guided by the principles and objectives as enumerated in Section 178 (3) of the Companies Act, 2013 and the rules made thereunder, each as amended (the "**Act**") and Regulation 19 read with Part D of Schedule II of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI Listing Regulations**"), to ensure reasonableness and sufficiency of remuneration to attract, retain and motivate competent resources, a clear relationship of remuneration to performance and a balance between rewarding short and long-term performance of the Company. The Board has constituted a nomination and remuneration committee (the "**NR Committee**") which is in compliance with the requirements of the Companies Act, 2013

2. Objectives of the NR Committee

- 2.1 The NR Committee shall:
- A. Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, Key Managerial Personnel and other employees.
 - B. Formulate the criteria for evaluation of performance of Independent Directors and the Board of Directors.
 - C. Identify persons who are qualified to become Directors and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
 - D. Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
 - E. Devise a policy on diversity of Board of Directors; and
 - F. 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.
 - G. To ensure that level and composition of remuneration is reasonable and sufficient to attract,

retain and motivate directors of the quality required to run the Company successfully.

- H. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.

3. Effective Date:

3.1 The following policy has been formulated by the NRC Committee and adopted by the Board of Directors at its meeting held on June 9, 2020.

3.2 This policy shall be operational with immediate effect.

4. Definitions:

4.1 **“Board” or “Board of Directors”:** - Board or Board of Directors means the board of directors of the Company.

4.2 **“Director”:** - Director means Director of the Company appointed in accordance with the Companies Act, 2013.

4.3 **“NR Committee”:** - NR Committee means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, from time to time.

4.4 **“Company”:** - Company means Happiest Minds Technologies Limited.

4.5 **“Independent Director”:** - As provided under the Companies Act, 2013, an Independent Director in relation to a company, means a Director other than a Managing Director or a Whole-Time Director or a Nominee Director, —

- (i) who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- (ii) who is or was not a promoter of the Company or its holding, subsidiary or associate company;
- (iii) who is not related to promoters or directors in the company, its holding, subsidiary or associate company;
- (iv) who has or had no pecuniary relationship with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;
- (v) none of whose relatives has or had pecuniary relationship or transaction with the company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower, during the two immediately preceding financial years or during the current financial year;
- (vi) who, neither himself nor any of his relatives—

- holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;
 - is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of—
 - a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent or more of the gross turnover of such firm;
 - holds together with his relatives two per cent. or more of the total voting power of the Company; or
 - is a Chief Executive or director, by whatever name called, of any non- profit organisation that receives twenty-five per cent or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- (vii) who possesses such other qualifications as may be prescribed

4.6 **“Key Managerial Personnel”**: - Key Managerial Personnel or KMP means-

- (i) the Executive Chairman;
- (ii) Executive Director & CFO
- (iii) the Chief Executive Officers of Business Units
- (iv) the Company Secretary;
- (v) the Whole-Time Director;
- (vi) the Chief Financial Officer; and
- (vii) Such other officer as may be prescribed under the applicable statutory provisions / regulations.

4.7 **“Senior Management Personnel”**: - Senior Management Personnel includes personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the functional heads. 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.

5. Applicability

- 5.1 The Policy is applicable to:
- A. Directors (Executive and Non-Executive);
 - B. Key Managerial Personnel; and

C. Senior Management Personnel

6. Constitution of the NRC Committee:

6.1 The Board has the power to constitute/ re-constitute the Committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirement. At present, the NR Committee comprises of following Directors:

Name of the Director	Category	Designation
Rajendra Srivastava	Independent Director	Chairperson
Anita Ramachandran	Independent Director	Member
Shubha Rao Mayya	Independent Director	Member
Ashok Soota	Whole-time Director	Member

7. General Appointment Criteria:

7.1 The NR Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.

7.2 The Company should ensure that the person so appointed as Director/ Independent Director/ KMP/ Senior Management Personnel shall not be disqualified under the Companies Act, 2013, rules made thereunder, or any other enactment for the time being in force.

7.3 The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made there under, and any other enactment for the time being in force which is applicable to the Company.

8. Additional Criteria for Appointment of Independent Directors:

8.1 The NR Committee shall consider qualifications for Independent Directors as mentioned in herein earlier under the head 'Definitions' and also their appointment shall be governed as per the provisions of Section 149 of the Companies Act, 2013 (as amended from time to time).

9. Term / Tenure:

9.1 Executive Chairman/ Whole-time Director

A. The Company shall appoint or re-appoint any person as its Executive Chairman or Whole-time Director for a term not exceeding five years at a time or as may be prescribed under the Act. No re-appointment shall be made earlier than one year before the expiry of term.

9.2 Independent Director

- A. 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 in the Board's report.
- B. 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 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the NR Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.
- C. 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 Director of a listed company or such other number as may be prescribed under the Act.

10. Removal

- 10.1 Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable Act, rules and regulations or any other reasonable ground, the NR Committee may recommend to the Board for removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

11. Criteria for Evaluation of Independent Director and the Board

- 11.1 The Directors including Independent Directors shall be evaluated on the basis of the following criteria i.e. whether they:
 - A. act objectively and constructively while exercising their duties;
 - B. exercise their responsibilities in a bona fide manner in the interest of the Company;
 - C. devote sufficient time and attention to their professional obligations for informed and balanced decision making;
 - D. do not abuse their position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
 - E. refrain from any action that would lead to loss of his independence
 - F. inform the Board immediately when they lose their independence,
 - G. assist the Company in implementing the best corporate governance practices,

- H. strive to attend all meetings of the Board of Directors and the Committees;
- I. participate constructively and actively in the committees of the Board in which they are members;
- J. strive to attend the Board, Committee and general meetings of the Company;
- K. keep themselves well informed about the Company and the external environment in which it operates;
- L. do not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- M. moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest; and
- N. abide by Company's memorandum and articles of association, Company's policies and procedures including code of conduct, insider trading guidelines etc.

12. Board diversity:

- 12.1 The Board of Directors may have the combination of Directors from the different areas / fields like production, Management, Quality Assurance, Finance, Sales and Marketing, Supply chain, Research and Development, Human Resources etc. or as may be considered appropriate.

13. Remuneration:

- 13.1 The NR Committee will recommend the remuneration to be paid to the Executive Chairman, Whole-time Director and KMP to the Board for their approval.
- 13.2 The level and composition of remuneration so determined by the NR Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management Personnel of the quality required to run the Company successfully. The relationship of remuneration to performance should be made clear and should meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

A. Executive Chairman/Whole-time Director

- 1. The compensation paid to the executive directors (including Executive Chairman) will be within the scale approved by the shareholders. The elements of the total compensation, approved by the NR Committee will be within the overall limits specified under the Companies Act, 2013.
- 2. Besides the above criteria, the remuneration/ compensation/ commission etc to be paid to Executive Chairman /Whole-time Director etc shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.
- 3. The remuneration payable by the Company to the executive directors shall be subject to the

conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

B. Non-executive Directors

1. The Non- Executive Director may receive sitting fees for attending meetings of Board or NR Committee thereof. The remuneration/ commission/ compensation to the Non-Executive Directors will be determined by the NR Committee and recommended to the Board for its approval.
2. The remuneration payable by the Company to Non-Executive Directors shall be subject to the conditions specified in the Act and the SEBI Listing Regulations including in terms of monetary limits, approval requirements and disclosure requirements.

C. KMPs / Senior Management Personnel etc.

1. The Remuneration to be paid to KMPs/ Senior Management Personnel shall be based on the experience, qualification and expertise of the related personnel and governed by the limits, if any prescribed under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

D. Directors' and Officers' Insurance

1. Where any insurance is taken by the Company on behalf of its Directors, KMPs/ Senior Management Personnel etc. 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 unless otherwise specifically provided under the Act.

14. Chairperson

- 14.1 Chairperson of the NR Committee shall be an Independent Director.
- 14.2 Chairperson of the Company may be appointed as a member of the NR Committee but shall not be a Chairperson of the NR Committee.
- 14.3 In the absence of the Chairperson, the members of the NR Committee present at the meeting shall choose one amongst them to act as Chairperson.
- 14.4 Chairperson of the NR Committee meeting could be present at the annual general meeting of the Company or may nominate some other member to answer the shareholders' queries.

15. Frequency of Meetings

- 15.1 The meeting of the NR Committee shall be held at such regular intervals as may be required.

16. NR Committee Members Interest

- 16.1 A member of the NR Committee is not entitled to participate in the discussions when his/her own remuneration is discussed at a meeting or when his/her performance is being evaluated.
- 16.2 The NR Committee may invite such executives, as it considers appropriate, to be present at the meetings of the NR Committee.

17. Secretary

- 17.1 The Company Secretary of the Company shall act as Secretary of the NR Committee.

18. Voting

- 18.1 Matters arising for determination at NR Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the NR Committee.

19. Adoption, Changes and Disclosure of Information

- 19.1 This Policy and any changes thereof will be approved by the Board based on the recommendation(s) of the NR Committee.
- 19.2 This policy may be reviewed at such intervals as the Board or NR Committee may deem necessary.
- 19.3 Such disclosures of this Policy as may be required under the Act and SEBI Listing Regulations may be made.

20. Dissemination of Policy

- 20.1 A copy of this Policy shall be handed over to all Directors within one month from the date of approval by the Board. This Policy shall also be posted on the website of the Company and the details of this Policy, including the evaluation criteria, shall be mentioned in the annual report of the Company

21. Penalty for Non-Adherence of the Clauses of the Policy

- 21.1 Non-adherence to any of the Clause as mentioned in this Policy will attract penalty of twenty-five thousand rupees and which may extend to one lakh rupees and further may lead to imprisonment of one year as prescribed under Section 178 of the Companies Act, 2013, and a penalty of one lakh rupees which may extend to one crore rupees as prescribed under Section 15 HB of SEBI Act, 1992.