

HARSHA ENGINEERS LIMITED

NOMINATION AND REMUNERATION POLICY

I. Preamble

Pursuant to Section 178 of Companies Act, 2013, as amended and rules made thereunder (the “**Act**”) and Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “**SEBI Listing Regulations**”), the board of directors of every listed company is required to constitute the nomination and remuneration committee.

II. Objective

In order to comply with the requirements of Section 178 of the Act and Regulation 19 of the SEBI Listing Regulations and any other applicable provisions, the nomination and remuneration committee of the Company (the “**Committee**”) had formulated this policy (the “**Policy**”). The key objectives of the Policy are as follows:

- a. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive / Non-Executive) and recommend to the board of directors of the Company (the “**Board**”), policies relating to the remuneration of the Directors, Key Managerial Personnel and other employees.
- b. To formulate criteria for evaluation of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- c. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- d. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- e. To devise a policy on Board diversity.
- f. To develop a succession plan for the Board and to regularly review the plan.
- g. To determine 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.

III. Definitions

- a. “**Act**”: means the Companies Act, 2013 and the rules framed thereunder, as amended from time to time.
- b. “**Board**” means Board of Directors of the Company.
- c. “**Company**” means Harsha Engineers Limited
- d. “**Directors**” shall mean Directors of the Company.
- e. “**Key Managerial Personnel**” or “**KMP**” means:

- i. Chief executive officer or the managing director or the manager;
 - ii. Whole-time director;
 - iii. Chief financial officer;
 - iv. Company secretary; and
 - v. Such other officer as may be prescribed under the Act.
- f. “**Senior Management**” means personnel of the Company who are members of its core management team excluding the Board. This would include all members of management one level below the executive directors, including all the functional heads.
- g. “**Independent Director**” means a director referred to in Section 149(6) of the Act.

IV. *Appointment and removal of Directors, KMPs and Senior Management*

a. *Appointment criteria and qualifications:*

- i. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management and recommend to the Board his / her appointment and shall specify the manner for effective evaluation of performance of the Board, its committees and individual directors to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance.
- ii. A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has the discretion to decide whether qualifications, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.

b. *Term / Tenure:*

i. *Managing Director/Whole-time Director:*

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

c. *Independent Director:*

- i. An Independent Director shall hold office for a term up to five consecutive years on the Board 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.
- ii. 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.

- iii. At the time of appointment of Independent Director it should be ensured that number of board of directors 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 or the SEBI Listing Regulations.

d. Evaluation:

The Committee shall carry out evaluation of performance of every Director, KMP's and Senior Management at regular interval (yearly).

e. Removal:

Due to reasons for any disqualification mentioned in the Act or under any other applicable law, rules and regulations thereunder, 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, such other applicable law, rules and regulations.

f. Retirement:

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

g. Policy relating to the Remuneration for the Whole-time Director, KMP's and Senior Management:

- i. The remuneration / compensation / commission etc. to the Whole-time Director, KMP 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 prior/post approval of the shareholders of the Company and Central Government, wherever required.
- ii. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.
- iii. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the shareholders in the case of Whole-time Director.

h. Remuneration to Whole-time / Executive / Managing Director, KMP's and Senior Management:

i. *Fixed pay:*

The Whole-time Director/ KMP and Senior Management shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee and as per applicable law. The breakup of the pay scale and quantum of perquisites including, employer's contribution to pension scheme, medical expenses, etc. shall be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders and Central

Government, wherever required.

ii. *Minimum Remuneration:*

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

i. *Provisions for excess remuneration:*

- i. If any KMP draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

j. *Remuneration to Non- Executive / Independent Director:*

i. *Remuneration / Commission:*

The remuneration / commission shall be in accordance with the statutory provisions of the Act and the rules made thereunder for the time being in force.

ii. *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 as provided in the Act, per meeting of the Board or committee or such amount as may be prescribed by the Central Government from time to time.

iii. *Limit of Remuneration/Commission:*

Remuneration/ Commission may be paid within the monetary limit approved by shareholders, subject to the statutory limit under the applicable provisions of the Act.

V. *Membership*

- i. The Committee shall comprise of at least (3) Directors, all of whom shall be non-executive Directors and at least half shall be Independent Directors.
- ii. The Board shall reconstitute the Committee as and when required to comply with the provisions of the Act and the SEBI Listing Regulations.
- iii. Minimum two (2) members shall constitute a quorum for the Committee meeting.
- iv. Membership of the Committee shall be disclosed in the annual report.
- v. Term of the Committee shall be continued unless terminated by the Board.

VI. Chairperson

- i. Chairperson of the Committee shall be an Independent Director or as per applicable laws.
- ii. Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- iii. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.
- iv. Chairman of the Nomination and Remuneration Committee meeting could be present at the annual general meeting or may nominate some other member to answer the shareholders' queries.

VII. Frequency of meetings

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

VIII. Committee members' interests

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

IX. Secretary

The Company Secretary of the Company shall act as Secretary of the Committee.

X. Nomination duties

The duties of the Committee in relation to nomination matters include:

- Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Independent Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- Identifying and recommending Directors who are to be put forward for retirement by rotation.
- Determining the appropriate size, diversity and composition of the Board;
- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and

- their service contract.
- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
 - Recommend any necessary changes to the Board; and
 - Considering any other matters, as may be requested by the Board.

XI. Remuneration duties

The duties of the Committee in relation to remuneration matters include:

- to consider and determine the remuneration policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- to consider any other matters as may be requested by the Board.

XII. Minutes of committee meeting

Minutes of all the proceedings meetings must be made and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

XIII. Deviations from this Policy

Deviations on elements of this policy in extraordinary circumstances in accordance with applicable law, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so in an individual case.

XIV. Uploading the Policy

The Policy shall be placed on the website of the our Company and the salient features of the Policy and changes, therein, if any, along with the web address of the Policy, if any, shall be discloses in the Board's report.