

# **HeidelbergCement India Limited**

## **Nomination and Remuneration Policy**

### **Introduction**

The Nomination & Remuneration Policy (“Policy”) of HeidelbergCement India Limited (“HeidelbergCement” or the “Company”) is formulated under the requirements of applicable laws, including the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Policy is intended to set out criteria to pay equitable remuneration to the Directors, Key Managerial Personnel (KMP), senior management (as defined below) and other employees of the Company and to harmonise the aspirations of human resources with the goals of the Company.

### **1. Preface**

The Company is committed to excel in every sphere of its activity by attracting and retaining qualified, talented and experienced professionals through an efficient selection and evaluation mechanism.

The Board of Directors of the Company has constituted the Nomination and Remuneration Committee (the “Committee”) to perform the delegated functions set out in this Policy and to formulate a Policy for nomination, appointment and remuneration of Directors and Senior Management of the Company.

### **2. Objective and Purpose**

The objectives and purpose of this Policy are:

- To formulate the criteria for determining the qualifications, competencies, positive attributes and independence of a director of the Company;
- To set out the criteria for determining the remuneration of the Directors, KMP and Senior Management to be recommended to the Board and make recommendations to the Board with respect to KMP and Senior Management compensation.

### **3. Constitution of the Nomination and Remuneration Committee**

The Nomination and Remuneration Committee of the Board is constituted in line with the requirements under the Companies Act, 2013. The Board has authority to reconstitute this Committee from time to time.

## Definitions:

- “Act” means the Companies Act, 2013, as amended from time to time.
- “Board” means the Board of Directors of the Company.
- “Directors” means directors on the Board of Directors of the Company.
- “Committee” means the Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board, in accordance with the Act and applicable Listing Regulations.
- “Company” means HeidelbergCement India Limited.
- “Independent Director” means a Director referred to in Section 149(6) of the Act.
- “Key Managerial Personnel” or “KMP” means:
  - The Managing Director or Chief Executive Officer or Manager;
  - Whole-time Director;
  - The Company Secretary;
  - The Chief Financial Officer; and
  - Any other person defined as a key managerial personnel under the Act from time to time.
- “Listing Regulations” mean the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.
- “Senior Management” means officers/personnel of the Company who are members of its core management team. The core management team comprises the Managing Director, Whole-time Director, Chief Financial Officer, Head of Human Resources, Procurement Head, Presidents, Chief Internal Auditor, Plant Heads and Company Secretary.

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

## 4. Role of Nomination and Remuneration Committee

The Board of Directors has entrusted the following responsibilities to the Committee:

- Identification of persons who are qualified to become directors and who may be appointed in senior management positions in accordance with the criteria laid down;
- Recommend to the Board the appointment and removal of Senior Management Personnel;
- Formulate the criteria for determining the qualifications, positive attributes and independence of a director;

- Recommend to the Board a policy relating to the remuneration of the directors, key managerial personnel and other employees;
- Carry out evaluation of every director's performance.
- Devising a policy on Board diversity;
- Recommend to the Board the remuneration payable to the Senior Management.
- Review of succession planning done by the management.

## **5. Criteria for identification of Directors and Senior Management**

The Committee shall review potential candidates for appointment as Director and for filling Senior Management positions and give its recommendations to the Board. In evaluating the suitability of potential candidates the Committee may take into account factors such as:

- personal and professional ethics, integrity and values;
- educational and professional background;
- leadership skills, standing in the profession;
- business knowledge, relevant competencies and skills, experience;
- actual or potential conflicts of interest, if any;
- willingness to devote time and efforts to effectively carry out duties and responsibilities;
- during the process of identification of suitable candidates for appointment as independent directors it must be ensured that the criteria of independence laid down under Section 149(6) of the Act is duly fulfilled.

The Committee may also institute an enquiry into the background and qualifications of the potential candidates.

## **6. Criteria for determining Remuneration**

The Board, on the recommendation of the Nomination and Remuneration Committee, shall review and approve the remuneration payable by the Company to the Executive Directors on their appointment / re-appointment, which shall be within the overall limit provided under the Companies Act, 2013. The Board shall also approve the remuneration payable by the Company to the Key Managerial Personnel of the Company at the time of their appointment. This shall not apply however to any Executive Directors or KMP whose appointment is decided and remuneration paid by the parent of the Company and where the Company is not charged directly or indirectly for their services.

Non-Executive Directors shall be entitled to sitting fees for attending the meetings of the Board and the Committees thereof. The Executive Directors, Senior Management and other employees shall be given letters of appointment describing their job description, duties, rights and responsibilities. The remuneration shall comprise of fixed and performance-based components as detailed below:

**Fixed Remuneration:** It shall be determined for each grade of employee and Senior Management after taking into account the comparative remuneration profile with respect to industry, scale of the Company's business, criticality of the position and competencies and experience of the person. It shall be the Company's endeavour to pay fixed remuneration which will:

- attract, retain and motivate professionals required to successfully run the Company;
- encourage people to perform to their highest potential;
- align the performance of the business with the performance of key individuals and teams within the Company; and
- allow the Company to compete in each relevant employment market.

**Performance-Based Remuneration:**

**(a) Variable Pay:** The Company shall reward Executive Directors, Senior Management and other employees based upon the Company's performance and their own individual performance to create a strong relationship between performance and remuneration. The percentage of performance-based remuneration / variable pay in the total remuneration package of each employee shall be determined according to his / her level in the organization so as to ensure that the remuneration package is fairly balanced to attract, retain and motivate skilled professionals.

The variable pay shall be divided into two parts, of which the first part would be dependent upon the Company's performance which shall be measured in financial terms such as achievement of targeted Net Profit for the applicable year. The other part shall depend upon the individual employee's performance against the targets set in the goal agreement. The weightage of the company performance *vis-a-vis* individual performance in the variable pay may range from 40 to 60 percent depending upon seniority of the concerned employee in the organisation structure.

There shall be a goal agreement setting out the annual objectives / targets of an individual employee cascading from the organisational goals. These annual objectives / targets shall be:

- Formulated clearly, i.e. goals must be described in a concrete, precise and comprehensible manner.
- Can be influenced, i.e. the employee must have a decisive influence on the goal's achievement.

- Realistic, fair and challenging, i.e. it must be possible for the employee to achieve a goal without being underchallenged or overchallenged.
- Must be able to measure whether the goal has been achieved, i.e. by means of quantitative standards (key figures) or qualitative standards (quality criteria based on common definitions) defined and ascertained during target setting.

The aforesaid objectives shall strike a balance between short-term and long-term goals of the Company. The progress of the employees towards achievement of the objectives shall be reviewed at the end of half year followed by a full year assessment after the end of each calendar year, and based on the achievements against the company performance and agreed targets, performance-based remuneration shall be paid.

**(b) Long-Term Incentive Plan:** In order to retain high potential employees the Company has in place a Long-Term Incentive Plan (LTIP) which is disbursed with deferment of three years. This LTIP is decided from time to time based on Company's needs.

**(c) Performance Management System (PMS):** The Company has a detailed and structured PMS. Based on the review of performance through the PMS process, the Company shall assess the employees' competencies, eligibility for promotion and increments. The MD shall in accordance with the guidelines given in this policy decide the annual increments / mid-term revisions of all employees except the Senior Management of the Company. The annual increments, mid-term revisions and promotions of Senior Management shall be decided by the Board of Directors on the recommendation of the Nomination and Remuneration Committee.

**Retirement benefits:** The Company shall comply with the applicable laws for payment of retirement benefits such as Provident Fund, Superannuation, Leave Encashment and Gratuity.

**Termination payments:** Each employment contract shall set out in advance the notice period in case of resignation / termination of employment or the payment to be made in lieu thereof.

## **7. Amendment / Policy Review**

- (a) This Policy is framed based on the provisions of the Act and rules thereunder and the requirements of the Listing Regulations.
- (b) In case of any subsequent changes in the provisions of the Act and/or Listing Regulations or any other regulations which renders any of the provisions in this Policy inconsistent with the Act, Listing Regulations or any other regulations, this Policy shall modified accordingly.

- (c) This Policy may be reviewed and amended from time to time by the Nomination and Remuneration Committee. Any changes or modification to the Policy as recommended by the Committee shall be placed before the Board of Directors for its approval.