

HeidelbergCement India Limited

Nomination and Remuneration Policy

1. Preface

HeidelbergCement India Ltd. (the “Company”) is committed to excel in every sphere of its activity by attracting and retaining qualified, talented and experienced professionals through efficient selection and evaluation mechanism.

The Board of Directors of the Company has constituted Nomination and Remuneration Committee (“the Committee”) to perform the delegated functions and to formulate a Policy for nomination, appointment and remuneration of Directors and Top and Senior Management Personnel¹ (“Senior Management”) of the Company. This Policy sets out the guiding principles for the Nomination and Remuneration Committee for identifying persons who are qualified for being appointed as Directors on the Board and those who may be appointed to fill the senior management positions. The Policy also sets out the guiding principles for determining the remuneration of executive directors, senior management personnel and other employees.

2. 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 qualifications, positive attributes and independence of a director;
- Recommend to the Board a policy, relating to the remuneration of the directors, senior management personnel and other employees; and
- Carryout evaluation of every director’s performance.
- Devising a policy on Board diversity.

3. Criteria for identification of Directors and Senior Management Personnel

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:

¹ “Top and Senior Management” means 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.

- 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 Companies Act, 2013 are duly fulfilled.

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

4. Criteria for determining Remuneration

The Board, on the recommendation of the Nomination and Remuneration Committee, shall review and approve the remuneration payable 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 to the Key Managerial Personnel (KMP) of the Company at the time of their appointment. 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 Personnel and other employees shall be given letter 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 employees and senior management personnel 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. The fixed remuneration will reflect the core performance requirements and expectations of the Company. 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;
- allow the Company to compete in each relevant employment market;

Performance Based Remuneration:

(a) **Variable Pay:** The Company shall reward Executive Directors, Senior Management Personnel 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 first part would be dependent upon company's performance which shall be measured in financial terms such as achievement of targeted EBIT or Net Profit during the calendar year gone by. 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 at the end of each calendar year, and based on the achievements against the Key Performing Indicators, performance based remuneration shall be paid.

(b) Long Term Retention Plan: In order to retain high calibre senior personnel, the Company shall continue with its Long Term Retention Plan (LTRP). The period of LTRP shall cover 3 to 4 years. The basis of disbursement may vary each year.

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 increment of senior management personnel, Key Managerial Personnel and other employees. The CEO&MD shall from time to time decide the annual increments / mid-term revisions to be given to employees, including senior management personnel and KMP as per the guidelines given in this policy.

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.

5. Amendment

The Committee / the Board of Directors reserve the right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.