

# **HERANBA INDUSTRIES LIMITED**

**CIN: L24231GJ1992PLC017315**

## **NOMINATION AND REMUNERATION POLICY**

(Framed under section 178 of the Companies Act, 2013 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)

**Approved on: May 30, 2023**

## 1. PREAMBLE:

This Nomination and Remuneration Policy ("**Policy**") of Heranba Industries Limited ("**Company**") was approved by the Board of directors ("Board") at their meeting held on May 30, 2023. The Philosophy of the Company is that human resources are the greatest asset of the Company. In compliance to the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI Regulations**"), the Board of Directors have constituted the "**Nomination and Remuneration Committee**", (hereinafter referred to as the "**Committee**") to oversee the Company's nomination process for the top level management. The Committee has to specifically identify, screen and review individuals qualified to serve as the Executive Directors, Non-Executive Directors and Independent Directors, consistent with criteria approved by the Board.

This Policy provides the framework for the composition and functioning of the committee and for the remuneration of members of the Board of Directors, Key Managerial Personnel, senior management and other employees of the company. This Policy is guided by the principles and objectives as enumerated in Section 178 of the Companies Act, 2013 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 ("SEBI LODR 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.

To fulfill the objective of creating, preparing policies of the top-level management and retaining the good, efficient and professional human resources, the committee shall oversee the appointment of Key Managerial Personnel and senior management level including the appointment of personnel one level below the Key Managerial Personnel.

The Committee shall ensure that remuneration so paid to them is reasonable and sufficient to attract, retain and motivate the employees. The committee shall also co-ordinate and overview the annual self evaluation of the performance of the Board and of individual Directors in the governance of the Company.

Another important responsibility of the committee is to create a sound succession planning of the senior leadership, vital for the robust future of the Company. Therefore, the committee has to adopt a rigorous process to ensure that the Board selects the right candidates for the senior leadership positions.

## 2. DEFINITIONS:

"**Act**" means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.

"**Applicable Laws**" means applicable provisions of the Act and the SEBI Regulations.

**“Board”** means Board of Directors of the Company.

**“Committee”** means the Nomination & Remuneration Committee.

**“Company”** means Heranba Industries Limited.

**“Directors”** means Directors of the Company.

**“Independent Director”** means as provided under SEBI (LODR) Regulation 2015 and/or under the Companies Act, 2013, and any amendment(s) thereto.

**“Key Managerial Personnel”** or **“KMP”** means as provided under Companies Act, 2013, and any amendment(s) thereto.

**“Policy”** means the Nomination and Remuneration Policy.

**“Remuneration”** means any money or its equivalent give or passed to any person for services rendered by him and includes perquisites as defined under the Income tax Act, 1961.

**“SEBI Regulations”** mean the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015.

**“Senior Management”** or **“Senior Management Personnel”** the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

### **3. BRIEF OVERVIEW UNDER COMPANIES ACT, 2013:**

Section 178 and Companies [Meetings of Board and its Powers] Rules, 2014:

- Constitution of the Nomination and Remuneration Committee consisting of three or more non-executive directors out of which not less than one-half shall be independent directors.
- The Nomination and Remuneration Committee shall identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board,

by the Nomination and Remuneration Committee or by and independent external agency and review its implementation and compliance.

- The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.
- The Nomination and Remuneration Committee shall, while formulating the policy ensure that—
  - the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
  - relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
  - remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- Such policy shall be placed on the website of the company, if any, and the salient features of the policy and changes therein, if any, along with the web address of the policy, if any, shall be disclosed in the Board's report.

#### **4. BRIEF OVERVIEW OF REGULATION 19 OF SEBI REGULATIONS:**

- The company shall set up a Nomination and Remuneration committee which shall comprise at least three directors, all of whom shall be non-executive directors and at least half shall be independent. Chairman of the committee shall be an independent director.
- The Chairman of the committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.
- The role of the committee shall be in terms of Part D of the Schedule II of SEBI Listing Regulations, as amended, which inter-alia, includes the following:
  - Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
  - For every appointment of an independent director, the Nomination and Remuneration Committee 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 to the Board for appointment as an independent director shall have the capabilities identified in such 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.

- Formulation of criteria for evaluation of Independent Directors and the Board;
- Devising a policy on Board diversity;
- Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.
- 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.
- To recommend to the board, all remuneration, in whatever form, payable to senior management.

## **5. TERMS OF REFERENCE OF NOMINATION AND REMUNERATION COMMITTEE:**

- a. To 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 the directors, key managerial personnel and other employees;
  - b. To formulate criteria for & mechanism of evaluation of Independent Directors and the Board of Directors;
  - c. To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee and / or by an independent external agency and review its implementation and compliance;
  - d. To devise a policy on diversity of Board of Directors;
  - e. To Identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal;
  - f. 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 review and recommend remuneration of the Managing Director(s) / Wholetime Director(s) based on their performance;
  - h. To recommend to the Board, appointment of Senior Management Personnel and remuneration, in whatever form, payable to Senior Management Personnel;
  - i. A member of the Committee is not entitled to be present when his or her own performance is being evaluated.
- a. To ensure that the management has in place appropriate programs to achieve maximum leverage from leadership, employee engagement, change management, training & development, performance management and supporting system;
  - b. To oversee workplace safety goals, risks related to workforce and compensation practices;
  - c. To oversee employee diversity programs;
  - d. To oversee leadership development, rewards and recognition, talent management and succession planning (specifically for the Board, KMP and Senior Management);

- e. To recommend the appointment of one of the Independent Directors of the Company on the Board of its Material Subsidiary;
- f. To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.

#### **6. REMUNERATION TO NON-EXECUTIVE DIRECTORS:**

- a. Non-Executive Directors (“NEDs”) including independent Directors may be paid remuneration by way of Sitting Fees, Professional Fees, Retainer Fees, and Commission, if approved by the Board on the recommendation of Nomination and Remuneration Committee and subject to the provision of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015. The remuneration/commission/compensation to the NEDs will be decided by the Board in accordance with this Policy and subject to applicable conditions of Companies Act, 2013 and SEBI LODR Regulations.
- b. The payment of the Commission to the NEDs, if any will be placed before the Board every year for its consideration and approval. The sitting fee payable to the NEDs for attending the Board and Committee meetings is fixed subject to the statutory ceiling. The fee is reviewed periodically and aligned to comparable best in class companies.
- c. Keeping with evolving trends in industries and considering the time and efforts spent by specific non-executive directors, the practice of paying differential commission will be considered by the Board, if it consider necessary.
- d. Independent Directors will not be eligible to receive stock options under the existing employee stock option scheme/plan (“ESOP”) of the Company.
- e. Where the annual remuneration payable to a single NED exceeds fifty per cent of the total annual remuneration payable to NEDs, the approval of the shareholders in the manner specified in applicable laws/regulations shall be obtained.

#### **7. REMUNERATION TO EXECUTIVE DIRECTOR:**

- a. The remuneration paid to the Executive Directors (including Managing Director) will be within the scale approved by the Shareholders. The elements of the total compensation are approved by the Committee within the overall limits specified under the Companies Act, 2013.
- b. The remuneration, fees or compensation payable to an Executive Director shall be subject to the approval of shareholders in the manner prescribed under the applicable regulations.
- c. The elements of remuneration of the Executive Director include the elements as described in point (g) below.
- d. The Committee will determine, if required, from time to time, the annual variable pay in the form of annual incentive and annual increment for the Executive Director based on Company’s and individual’s performance as against the pre-agreed objectives for the year.
- e. The Executive Director is eligible for ESOPs as per the Scheme/Plan in force from time to time. Grants under the Scheme/Plan shall be approved by the Committee.

- f. In case of inadequacy of profit in any financial year, the remuneration payable to the Executive Director shall be further subject to the relevant provisions of the Companies Act, 2013.
- g. The remuneration structure to the Executive Directors shall include the following components:
  - (i) Basic Pay
  - (ii) Perquisites and Allowances
  - (iii) Stock Options
  - (iv) Commission (Applicable in case of Executive Directors)
  - (v) Retiral benefits
  - (vi) Annual Performance Bonus
- h. Executive Directors will not be paid sitting fees for any Board/Committee meetings attended by them.

**8. REMUNERATION TO KEY MANAGERIAL PERSONNEL/SENIOR MANAGEMENT/OTHER EMPLOYEES:**

- a. Senior Management Personnel shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.
- b. The Company's total compensation for Key Managerial Personnel/Senior Management/other employees will comprise of: - fixed compensation - variable compensation in the form of annual incentive - benefits, - work related facilities and perquisites and loans & advances in accordance with their service conditions. - Such other benefits/perquisites as may be periodically determined relevant by the HR policies of the Company.
- c. In addition, select senior executives will be eligible for long-term incentive plan in the form of ESOPs, as per the Scheme/Plan in force from time to time. Grants under the Scheme/Plan are approved by the Committee.
- d. The Committee will recommend to the Board all remuneration, in whatever form, payable to Senior Management.
- e. Fixed compensation will be determined on the basis of size and scope of the job typically as reflected by the level or grade of the job, trends in the market value of the job and the skills, experience and performance of the employee. Fixed compensation includes Basic Salary, Housing Allowance, Leave Travel Allowance, cash allowance etc.
- f. The Annual Incentive (variable pay) of executives is linked directly to the performance of the relevant Business Unit and the Company in accordance with the Employees Incentive Scheme of the Company as formulated from time to time.
- g. Based on the grade and seniority of employees, benefits for employees include:

- Health-related: (a) Health (hospitalization) insurance (b) Accident and Life insurance
  - Retirement-related: (a) Contribution to a Superannuation Fund (in addition to statutory benefits such as Provident Fund account, Gratuity etc).
- h. Employees will also be eligible for work related facilities and perquisites as may be determined through HR policies issued from time to time based on the Grade of the employee. A formal annual performance management process will be applicable to all employees, including senior executives and Key Management Personnel. Annual increases in fixed and variable compensation of individual executives are directly linked to the performance ratings of individual employee.
- i. Overall compensation shall be subject to periodic reviews which takes into account data from compensation surveys conducted by specialist firms, as well as factors such as affordability based on the Company's performance and the economic environment.
- j. Employees may be eligible for ESOPs as per the ESOP Scheme/Plan approved by the Shareholders and in force from time to time. The objective of the ESOP Scheme/Plan will be to reward employees for their contribution to the long-term growth and profitability of the Company by providing a platform to share the value they create for the Company.
- k. Employees may be eligible for severance payments in accordance with the termination clause in their employment agreement subject to applicable regulatory requirements.

#### **9. Adoption, Changes and Disclosure of Information:**

This Remuneration Policy and any changes thereof are approved by the Board of Directors as may be deemed necessary by the Board. The Policy may be reviewed at such intervals as the Board or N&R Committee may deem necessary. Such disclosures of this Remuneration Policy as may be required under the Companies Act, 2013 and the SEBI LODR Regulation shall be available on the website of the company [www.heranba.co.in](http://www.heranba.co.in).

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