

ZUARI CEMENT LIMITED

NOMINATION AND REMUNERATION POLICY

The Board of Directors of the Company has constituted Nomination and Remuneration Committee ("the Committee") to perform apart from other things to formulate a Policy for nomination, appointment and remuneration of Directors and Senior Management Personnel¹ ("Senior Management") of the Company. The Policy sets out the guidelines 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 guidelines for determining the remuneration of executive directors, independent directors, senior management personnel and other employees.

1. Role of Nomination and Remuneration 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.

2. Criteria for selection and appointment of Directors and their remuneration

Independent Directors:

Selection Criteria:

- ◆ He / She should be a person of integrity and possesses relevant expertise and experience.
- ◆ He / She shall be independent of the Company management and should not be related to promoters / directors in the Company or any of its holding / subsidiary / associate company.
- ◆ He / She should possess appropriate skills, experience and knowledge in the board process so as to enable the Board to discharge its functions effectively.

¹ "Senior Management" means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management on level below the Executive Directors, including the functional heads.

Appointment Process:

- ◆ Nomination Committee and Board shall ensure to review disclosures, declaration certifying their independence and non-disqualifications certificate and other compliances with the provisions of the Companies Act and Rules made thereunder.
- ◆ Recommend his / her appointment and remuneration to the Shareholders.
- ◆ Shareholders to appoint Independent Directors in their meeting.
- ◆ Company to issue appointment order specifying the terms and conditions of the appointment including their functions and duties etc.
- ◆ To file the relevant documents with the Ministry of Corporate Affairs.

Remuneration:

- ◆ Independent Directors are remunerated by way of sitting fees for each meeting of the Board / Committee thereof attended by them.
- ◆ Sitting fee is fixed by the Board on the recommendation of the Nomination and Remuneration Committee.

3. Directors other than Independent Directors / Executive Directors

Selection Criteria:

- ◆ Shareholders suggest persons of integrity and possessing relevant expertise and experience in the functional areas.

Appointment Process:

- ◆ Nomination Committee and Board shall ensure to review disclosures and non-disqualifications certificate and other compliances with the provisions of the Companies Act and Rules made thereunder.
- ◆ Board to finalise the appointment on the recommendation of Nomination Committee.
- ◆ Shareholders to regularize their appointment in their forthcoming AGM.
- ◆ To file the relevant documents with the Ministry of Corporate Affairs.

Remuneration:

- ◆ Directors belonging to executives of the Group are not remunerated either by way of sitting fee or through other means.
- ◆ Directors other than the Group executives could be remunerated by way of sitting fees for each meeting of the Board / Committee thereof attended by them subject to recommendation of the Nomination Committee and approval of the Board.

4. **Managing Director / Executive Directors**

Selection Criteria:

- ◆ Promoters suggest persons of integrity and possessing relevant expertise and experience including international experience in managing business of the company.
- ◆ His / her ability to shoulder the responsibility to head the company / functions.

Appointment Process:

- ◆ Nomination Committee and Board shall ensure to review disclosures and non-disqualifications certificate and other compliances with the provisions of the Companies Act and Rules made thereunder.
- ◆ Board to finalise the appointment on the recommendation of Nomination Committee.
- ◆ Shareholders to regularize their appointment in their meeting.
- ◆ To file the relevant documents with the Ministry of Corporate Affairs.

Remuneration:

- ◆ Nomination Committee to recommend the appropriate level of remuneration based on the skills, expertise and experience and also on Company's performance targets.
- ◆ Remuneration is benchmarked with performance.
- ◆ Balance between fixed and incentive pay reflecting short and long term performance objectives.
- ◆ Perquisites and other benefits as applicable to Senior Management Personnel of the company.

5. **Selection and Remuneration process for Senior Executives**

Selection Criteria:

For senior positions, selection of personnel is based on budgeted head counts and need based analysis. It should meet the objective of the succession plan of the Company. The following process is recommended for hiring senior positions:

- Annual head count plan/reforecast
- Obtain job description from functional directors
- Refer succession plan/HR to source and screen resumes (10 to 15 days)
- Functional directors to shortlist resumes (7 days)
- HR to organize interview and behavioural assessment (7 to 10 days)
- Final review by Nomination and Remuneration Committee / Managing Director.

If selected:

- Compensation discussion and approval (3 days)
- Reference checking (3 days)
- Issuing appointment letter.

Remuneration:

- Objective is to pay for the Performance and for the Position.
- At the time of hiring, pay is based on candidate's expectation and market salary for the position.
- Subsequent pay hike is on the basis of;
 - MBO Targets and actual achievements
 - Behavioral Assessment
 - Potential review
- To determine market compensation for the position, Benchmarking Market Compensation for various positions shall be taken up once in 2 years.
- For High Performing and High Potential employees compensation can be fixed close to 100th Percentile of Market Compensation.

Components of Compensation:

- Fixed Salary
- Variable Compensation
- Benefits
- Retention Bonus
- Fixed Salary:

It consists of Basic, House rent allowances and other allowances. It also consists PF and Gratuity.
- Variable Compensation:
 - This is 100% variable and depending upon the performance on MBO targets, it will vary from 0% to Maximum.
 - The Average Variable Pay to CTC at present is around 16% and gradually moved up to 25% over a period of time.
- Benefits:
 - Company maintained car.
 - Club membership based on availability.
 - Insurance includes Medclaim for self and family; Life and Accident insurance coverage.
 - Furniture and subsidized electricity to senior executives posted at plant and living in Colony.
- Retention Bonus:

Retention Bonus payable once in 3 years for high potential executives on overall performance.

Note: This policy is also applicable to Gulbarga Cement Limited, a subsidiary of Zuari Cement Limited.