

# **Hero MotoCorp Limited**

## *Remuneration and Board Diversity Policy*

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# REMUNERATION AND BOARD DIVERSITY POLICY

## 1. Preamble

The purpose of this Policy is to establish principles, parameters and Governance framework of remuneration for Directors, KMPs, Senior Management Personnel and Employees. This policy will assist the Board and Nomination and Remuneration Committee ('NRC') to fulfil its responsibility towards attracting, retaining and motivating Directors, KMPs, Senior Management Personnel and Employees through competitive remuneration in line with the corporate and individual performance and ensuring adequate/appropriate diversity at the Board level. The policy has been framed in compliance with the provisions of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('SEBI Regulations').

## 2. Objectives

**The main objectives of this Policy are:**

- To determine remuneration of Directors, KMPs and other senior management personnel and other employees, keeping in view all relevant factors including industry trends and practices.
- To provide for rewards linked directly to their effort, performance, dedication and achievement of the Company's target.

## 3. Remuneration

### 3.1 Remuneration paid to Executive Directors

The remuneration paid to Executive Directors to be recommended by the NRC and approved by the Board, subject to the subsequent approval by the shareholders at the general meeting and such other authorities, as the case may be.

At the Board meeting, only the Non-Executive and Independent Directors shall participate in approving the remuneration paid to the Executive Directors. The remuneration is to be arrived at by considering various factors such as performance, qualification, experience, expertise, prevailing remuneration in the industry and the financial position of the Company. The elements of the remuneration and limits shall be pursuant to the applicable laws.

#### 3.1.1 Remuneration Structure/ Parameters

The remuneration structure for the Executive Directors would include the following components:

#### Basic Salary

- a) Provides for a fixed, per month, base level remuneration to reflect the scale and dynamics of business to be competitive in the external market
- b) Normally to be set in the home currency of the Executive Director and reviewed annually

- c) Will be subject to an annual review as per recommendations of the NRC and approval of the Board of Directors post performance assessment.

### **Commission**

- a) Executive Directors will be allowed remuneration, by way of commission on a case to case basis which is in addition to the Basic Salary, Perquisites and any other Allowances, benefits and amenities. The Commission would be based on the achievement of organisational performance parameters/metrics and strategic milestones.
- b) Subject to the condition that the amount of commission shall not exceed such limits as prescribed under Sections 197 & 198 of Companies Act 2013.
- c) The amount of commission shall be paid subject to recommendation of the NRC and approval of the Board of Directors and shareholders, if required.

### **Perquisites and Allowances**

A basket of perquisites and allowances would also form a part of the remuneration structure.

### **Contribution to Provident and other funds**

In addition to the above, the remuneration would also include:

- a) Contribution to Provident, Superannuation and National Pension Scheme funds as applicable.
- b) Gratuity

### **Minimum Remuneration**

If in any financial year during the tenure of the Executive Directors, the Company has no profits or its profits are inadequate, they shall be entitled to minimum remuneration as prescribed under the Companies Act, 2013.

### **3.2 Remuneration payable to Non-Executive & Independent Directors**

The Non-Executive Directors and/ or Independent Directors of the Company would be paid sitting fees as determined by the Board from time to time for each meeting of the Committees and Board. The NRC/ Board shall review and revise this limit, if there are any changes in the limits/provisions of law.

The Non-Executive and/ or Independent Directors will also be entitled to remuneration by way of commission aggregating up to 1% of net profits of the Company pursuant to the provisions of Sections 197 and 198 of the Companies Act 2013 in addition to the sitting fees for attending the meetings of the Board and any Committee thereof.

### **3.3 Remuneration Parameters for Key managerial personnel, senior management & other employees**

The compensation for the Key managerial personnel, senior management and other employees at Hero MotoCorp would be guided by the external competitiveness and internal parity through periodic benchmarking surveys.

The compensation will, inter-alia, include basic salary, allowances, perquisites, loans and/or advances as per relevant HR policies, retirement benefits, performance linked pay-out, benefits under welfare schemes, etc. besides long term incentives/ ESOPs/ RSUs/ PRSUs (Performance Restricted Stock Units) or such other means as may be decided by the NRC.

All employees of Hero MotoCorp will be subject to annual performance review as per approved performance management process of the Company. Meritocracy will be promoted by ensuring rigorous performance differentiation. The rating obtained by an employee will be used as an input to determine variable and merit pay increases. Variable and merit pay increases will be calculated using a combination of individual performance and organizational performance. Grade wise differentiation in the ratio of variable and fixed pay as well as in increment percentage will be made.

Other factors that will determine compensation will be criticality of skills, availability of competitive skills in the talent market globally.

Appropriate salary band and grade structure will be designed to ensure the organization is managed efficiently and effectively. The structure will be reviewed by the Company's leadership from time to time.

#### **4. Performance Framework**

With the objective of building a high performance culture at Hero MotoCorp, the performance management system shall be designed to:

- a) Align organizational and individual Goals (KRA)
- b) Provide data for making critical decisions related to the employees
- c) Drive the right employee behaviours
- d) Support employee development
- e) Align employee compensation with Company performance

The goals will be derived from the Company's long term vision that shall be translated to medium term plans and then an Annual Business Plan.

For senior management personnel, performance goals will be put in place at the beginning of each year and the evaluation undertaken at the end of each year. To the extent possible, goals will be specific and defined in quantitative terms. Company performance will be used as input into both increase in fixed as well as variable compensation. If needed, external input may be used to assess how well an individual has performed relative to the pre-set goals.

A significant part of the compensation for senior management personnel will be variable and based on performance relative to goals set for the year. Of the total variable compensation, a pre-set percentage will depend on Company performance and the rest on individual performance. The weight on Company performance will increase with seniority.

These goals will be cascaded to the functional heads and from them, to their reporting managers and employees. Similarly, the senior management's performance will also be contingent on their leadership, guidance and also the achievement of the goals of their teams.

The employees will be rated on the basis of achievements of these goals and also a defined competency framework. The weightages of these depend on the level within the organization as determined by the management from time to time.

## **5. Board Diversity**

The Company is committed to actively managing diversity as a means of enhancing its performance by recognising and utilising the contribution of diverse skills and talent from its directors, officers and employees.

To ensure that the Company has a diverse Board, all appointments shall be made on the basis of merit and due regard shall be given to other attributes including gender, age, cultural, educational & geographical background, ethnicity, professional experience, skills and knowledge. This will also contribute to drive growth, improve corporate governance practices, enhance decision making and gain competitive advantage.

Considering the above, the NRC shall recommend the appointment or continuation of members to achieve optimum combination at the Board and periodically assess the specific requirements in relation to Board diversity.

For appointment of an Independent Director, the NRC shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of role and capabilities required of an Independent Director. The person recommended to the Board for appointment as an Independent Director shall have capabilities identified in such description.

## **6. Review**

This policy will be reviewed by the Nomination and Remuneration Committee as and when required or once in three years and updated accordingly with the approval of the Board of Directors. The utility and interpretation of this policy will be at the sole discretion of the NRC /Board.

## **7. Limitation and Amendments**

In the event of any conflict between the provisions of this Policy and the Companies Act, 2013 or Listing Regulations or any other statutory enactments or rules, the provisions of such Act or Listing Regulations or statutory enactments or rules shall prevail over this Policy.

In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, such amendment(s), clarification(s), circular(s) etc. shall prevail upon the relevant provisions

of the Policy and this Policy shall stand amended accordingly from the effective date of such amendment(s), clarification(s), circular(s) etc.