



**Heritage Finlease Limited**  
**Nomination and Remuneration Policy**

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## Nomination and Remuneration policy

### 1. Preamble

This Nomination and Remuneration Policy (the “Policy”) of Heritage Finlease Limited (“the Company”) has been prepared in compliance with Section 178 of the Companies Act, 2013, read with applicable rules made thereunder.

The Board of Directors in the meeting held on 03<sup>rd</sup> November, 2023 has approved and adopted this Policy on the recommendation of the Nomination and Remuneration Committee at their meeting held on 03<sup>rd</sup> November, 2023. This policy shall come into effect from 03<sup>rd</sup> November, 2023.

### 2. Definitions:

- i. **‘Act’** means the Companies Act, 2013;
- ii. **‘Board’** means the Board of Directors of Heritage Finlease Limited.
- iii. **‘Committee’** means the Nomination and Remuneration committee of the Company, constituted and re-constituted by the Board from time to time;
- iv. **‘Company’** means Heritage Finlease Limited (HFL);
- v. **‘Directors’** means the directors of the Company;
- vi. **‘Independent Director’** means a director referred to in Section 149(6) of the Act, as amended from time to time;
- vii. **‘Key Managerial Personnel’** (the “KMP”) shall mean “Key Managerial Personnel” as defined in Section 2(51) of the Act;
- viii. **‘Nomination and Remuneration Committee’**, by whatever name called, shall mean a Committee of Board of Directors of the Company, constituted in accordance with the provisions of Section 178 of the Act;
- ix. **‘Other employees’** means all the employees other than the Directors, KMPs and the Senior Management Personnel;
- x. **‘Remuneration’** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-tax Act, 1961;
- xi. **‘Senior Management’** senior management means personnel of the Company who are members of its core management team excluding Board of Directors. This would include all members of management one level below the Executive Directors, including all functional heads, as defined in the Companies Act, 2013.

Words and expressions used and not defined in this Policy, but defined in the Act or any rules framed under the Act or Rules and Regulations framed there under of the Accounting Standards shall have the meanings assigned to them in these regulations.

**3. Purpose of the policy:**

The purpose of the policy is to establish and govern the procedure applicable to:

- i. evaluate the performance of the members of the Board.
- ii. ensure remuneration to Directors, KMP 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.
- iii. retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

**4. Scope of the Policy**

The Policy applies to Heritage Finlease Limited (the “Company”).

**5. Composition of the Committee:**

The composition of the Committee is / shall be in compliance with the Act, Rules made there under and the applicable guidelines of Reserve Bank of India, as amended from time to time.

**6. Role of the Committee:**

The Committee shall:

- a. Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this Policy;
- b. Recommend to the Board, appointment, remuneration and removal of Director, KMP and Senior Management;
- c. Formulate the criteria for determining qualifications, positive attributes and independence of a Director;
- d. Lay down the evaluation criteria for performance evaluation of Independent Director and the Board;

**7. Appointment and removal of Director, KMP and Senior Management:**

**7.1 Appointment criteria and qualification:**

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director and recommend to the Board his /her appointment.

For the appointment of KMP (Other than Executive Director/Whole-Time Director) or Senior Management, a person should possess adequate qualification, expertise and experience for the position he / she is considered for the appointment. Further, for administrative convenience, the appointment of KMP (Other than Executive Director/Whole-Time Director) or Senior Management, any one of the Director other than Independent Directors of the company is authorized to identify a suitable person for such position and shall be approved by the committee.

However, if the need be, such Director referred above may consult the Committee / Board for further directions / guidance.

## **7.2 Term**

The Term of the Directors shall be governed as per the provisions of the Act and Rules made there under, as amended from time to time.

Whereas the term of the KMP (other than the Executive Director/ Whole Time Director) and Senior Management shall be governed by the prevailing HR policies of the Company.

## **7.3 Evaluation:**

The Committee shall carry out evaluation of performance of every Director. The Committee shall identify evaluation criteria which will evaluate Directors based on knowledge to perform the role, time and level of participation, performance of duties, level of oversight, professional conduct and independence. The appointment / re-appointment / continuation of Directors on the Board shall be subject to the outcome of the yearly evaluation process.

Framework for performance evaluation of Independent Directors and the Board is as per Annexure A to this Policy.

## **7.4 Removal:**

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, Rules and Regulations thereunder and / or for any disciplinary reasons and subject to such applicable Acts, Rules and Regulations and the Company's prevailing HR policies, the Committee may recommend, to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management.

## **8. Remuneration:**

The level and composition of remuneration to be paid to the Directors, KMPs, Senior Management Personnel and other employees shall be reasonable and sufficient to attract, retain and motivate directors, KMPs, Senior Management and other employees of the company. The relationship of remuneration to performance should be clear and should encourage meeting of appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive / performance related pay reflecting achievement of short and long-term performance objectives appropriate to the working of the company and meeting its goals.

### **8.1 Remuneration to Executive Directors (Managing Director/Whole-Time Director)**

Besides the above Criteria, the Remuneration/ Compensation/ Commission etc. to be paid to Executive Director shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force as also by Company policy.

### **8.2 Remuneration to Non-Executive Directors including Independent Directors**

The Non-Executive / Independent Directors may receive sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of fees shall be such as determined by the Board of Directors /Shareholders from time to time.

An Independent Director shall not be entitled to any stock option of the Company unless otherwise permitted in terms of the Act

**8.3 Remuneration to KMP (other than covered in clause 8.1 above), Senior Management Personnel:**

The Remuneration to be paid to KMP (other than covered in clause 8.1 above) and Senior Management Personnel shall be as per the policies of the Company and the experience, qualification and expertise of the related personnel and shall be decided by the committee of the Company as per the internal process in consonance with the limits, if any, prescribed under the Companies Act, 2013 and rules made there under or any other enactment for the time being in force

**8.4 Other Employees**

The power to decide structure of remuneration for other employees is as per the policies of the Company and implementation of the same is to be ensured by any one of the Directors other than Independent Directors of the Company or any other personnel that committee may deem fit to delegate.

**9. Disclosure of this Policy:**

This Nomination & Remuneration policy shall be disclosed in the Board's report as required under the Companies Act, 2013 and shall also be placed on the website of the Company.

**10. Review:**

The policy shall be reviewed by the Nomination & Remuneration Committee at appropriate intervals and based on its recommendations; the Board may revise the same from time to time.

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**Framework for performance evaluation of Independent Directors and the Board**

The Board is required to monitor and review Board Evaluation Framework. This Framework shall contain the details of Board's self-evaluation framework (including all Committees of the Board and individual directors).

The Board is committed to assessing its own performance as a Board in order to identify its strengths and areas in which it may improve its functioning. To that end, the Committee shall establish the following processes for evaluation of performance of Independent Director and the Board:

Once a year, the Board will conduct a self-evaluation. It is the responsibility of the Chairman of the Board, supported by the Company Secretary if any of the Company, to organize the evaluation process and act on its outcome;

1. The Committee shall formulate evaluation criteria for the Board and the Independent Directors which shall be broadly based on:
2. Part-1: Board Self Evaluation form,  
Part-2: Chairpersons Assessment form &  
Part-3: Individual Director Assessment form
3. The Board / Independent Directors shall be asked to complete the evaluation forms and submit the same to the Chairman.
4. In terms of Section 134 of the Act, the Directors' Report should include a statement indicating a manner in which the Board has done formal annual evaluation of its own performance, performance of Committees and individual Directors of the Company.

**THE NOMINATION AND REMUNERATION COMMITTEE OF THE BOARD TO LAY DOWN EVALUATION CRITERIA FOR PERFORMANCE EVALUATION OF THE BOARD.**

Sl. No	EVALUATION FACTOR	RATINGS					Comments
		1	2	3	4	5	
<b>Part-1: BOARD SELF EVALUATION FORM</b>							
<b>I Board and Strategy Effectiveness: The Board...</b>							
1	Has developed a strategic plan and is planning adequately for the future.						
2	Evaluates the strategic plan periodically to assess the Company performance, considers new opportunities and responds to unanticipated external developments.						
3	Focuses its attention on long-term policy issues rather than short-term administrative matters.						
4	Discusses thoroughly the annual budget of the Company and its implications before approving it.						
<b>II Board Structure and Committees</b>							
1	The Company has an appropriate board size and structure.						
2	The board currently contains a sufficient range of expertise to make it an effective governing body.						
3	The composition of the board complies with the provisions of the Companies' Act, 2013, and rules made thereof.						
4	The board has the proper number of committees as required by legislation and guidelines, with well-defined terms of reference and reporting requirements.						
5	The Committees (Such as: Audit Committee, Nomination & Remuneration Committee, Risk Management Committee) are appropriately constituted.						
<b>III Board/Committee Meetings and Procedures</b>							
1	The number of board/committee meetings during the year is adequate.						
2	Board/committee members receive accurate minutes, written agendas and meeting notices; and relevant material to prepare in advance of meetings.						
3	Non-committee members are kept informed as to various board committee actions.						
4	All proceedings and resolutions of the board/committee are recorded accurately, adequately and on a timely basis.						
5	Board/committee meetings are conducted in a manner that encourages open communication and meaningful participation.						
6	Sufficient time is provided during board/committee meetings for thoughtful discussion in addition to management dialogue.						



7	All board decisions, other than those that have been delegated to the committee(s), are made in the board room.						
<b>IV Board and Management Relations: The Board...</b>							
1	Sets the overall tone and direction of the Company and establishes guidelines on the nature and amount of risk the Company may take.						
2	Has approved comprehensive policies and procedures for all material activities and risks in the Company.						
3	Has a range of appropriate performance indicators that are used to monitor the performance of management.						
4	Is well informed on all issues (short and long-term) facing by the Company.						
5	Ensures that information adequately flows between the board and management on ongoing basis.						
SI No	EVALUATION FACTOR	RATINGS					Comments
		1	2	3	4	5	
<b>V Succession Planning and Training</b>							
1	The Company induction and on-going training program assist board members in the execution of their duties.						
2	The board has a succession plan for the Chairperson and the Chief Executive Officer / Managing Director.						
3	The board has effective mechanisms that allow for taking corrective action against staff and management.						
<b>Part-2: CHAIRPERSON ASSESSMENT FORM</b>							
<b>I Managing Relationship: The Chairperson...</b>							
1	Actively manages shareholder, board, management and employee relationships and interests.						
2	Meets with potential providers of equity and debt capital.						
3	Manages shareholder meetings effectively and promotes a sense of participation in all shareholders and promotes shareholder confidence in the board.						
<b>II Leadership: The Chairperson...</b>							
1	Is an effective leader.						
2	Promotes effective participation of all board members in the decision-making process.						
3	Takes action to correct deficiencies noted.						
4	Promotes the image of the Company.						
5	Is involved in determining board information packages.						
6	Promotes continuing training and development of directors.						
<b>Part-3: INDIVIDUAL DIRECTOR ASSESSMENT FORM</b>							
<b>I Corporate Governance: The Director...</b>							
1	Has ability to remain focused at a governance level in board meetings.						
2	Contributes to the strategic planning process.						

3	Understands governance, regulatory, legal, financial, fiduciary and ethical requirements of the board.						
4	Adheres to high standards of personal integrity and gives high priority to ethical standards.						
5	Practices confidentiality.						
<b>II</b>	<b>Commitment and Competence: The Director...</b>						
1	Adds good value to the Company.						
2	Has ability to see the implications of broad organizational issues.						
3	Keeps abreast with latest developments in the sector.						
4	Has adequate knowledge of the Company key activities, financial condition and key developments						
5	Communicates convincingly yet diplomatically.						
6	Contributes to board deliberations or committee work.						
7	Comes prepared for meetings.						

**Rating Scale:** 1. Strong, 2. Satisfactory, 3. Fair, 4. Weak, 5. Critical

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