



# **HINDOOSTAN MILLS LIMITED**

## **NOMINATION AND REMUNERATION POLICY**

**A THACKERSEY GROUP COMPANY**

## **1. OBJECTIVE:**

The objectives of the Company's Nomination and Remuneration policy are:-

- To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-Executive) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage. In the context of the aforesaid criteria the following policy has been formulated by the Nomination and Remuneration Committee (NRC) and this Policy is in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 19(4) of SEBI (Listing obligations and Disclosure requirements) Regulations 2015.

## **2. DEFINITION:**

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

## **3. APPLICABILITY:**

The Nomination & Remuneration Policy is applicable to:

- Directors (Executive and Non-Executive)
- Key Managerial Personnel (Managing Director, Whole-time Director, CEO, CFO & Company Secretary)
- Senior Management Personnel who are members of core management team comprising of all members of management one level below the executive directors, including functional heads.

## **4. GUIDING PRINCIPLES**

- The Committee while designing the remuneration package considers the level and composition of remuneration to be reasonable and sufficient to attract, retain and motivate the person to ensure the quality required to run the company successfully.
- The NRC while considering a remuneration package shall ensure a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the company and its goals.

- The Committee considers that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with stakeholders.
- The remuneration policy reflects a balance between the interests of the Company's main stakeholders as well as a balance between the Company's short-term and long-term performance objectives appropriate to the working of the Company and its goals. As a result, the structure of the remuneration package for the Directors, Key Managerial Personnel and Senior Management is designed to balance short-term operational performance with the medium and long-term objective of creating sustainable value within the Company, while taking into account the interests of its stakeholders.
- To ensure that highly skilled and qualified senior executives can be attracted and retained, the Company aims for a total remuneration level that is comparable to levels provided by other companies that are similar to the Company in terms of size and complexity.
- In designing and setting the levels of remuneration for the Directors, Key Managerial Personnel and Senior Management, the NRC also takes into account the relevant statutory provisions and provisions of the corporate governance code, societal and market trends and the interests of stakeholders.

## **5. GENERAL**

This Policy is divided in four parts: Part – A covers the nomination and appointment, Part – B covers remuneration and perquisites etc., Part – C covers the matters common to Part –A and Part-B and Part – D covers succession planning.

The key features of this Company's policy shall be included in the Board's Report.

Organization structure of the Company as on date is as follows:

Level 1: Board of Directors

Level 2: Key Managerial Personnel consisting of Executive directors, Chief Executive Officer, Chief Financial Officer, Company Secretary

Level 3: Senior management personnel consisting of:

- 1) Head – Operations (Karad)
- 2) Head – Purchase, Procurement and sales
- 3) Head – HCGA
- 4) Head – Marketing

### **PART – A: Nomination and Appointment**

#### **I) Identification of persons who may be appointed as directors:**

The Committee shall identify persons who may be appointed as directors of the Company and recommend their appointment to the Board of Directors in this regard.

While recommending appointment of any such persons as directors the Board of Directors shall consider following aspects:

- a. Business of the Company,
- b. Strength, weakness, opportunity and threats to Company's business,
- c. Existing composition of the Board of Directors,
- d. Diversity, skills, expertise of existing directors,
- e. Background, skills, expertise, reputation and qualification possessed by persons being considered,
- f. Specific requirements under Companies Act, 2013, SEBI (Listing obligations and Disclosure requirements) Regulation 2015 and any other laws as to composition of the Board.

## **II) Recommending appointment of Independent Directors**

The Committee shall regularly review composition of the Board of Directors and recommend appointment of persons who may be qualified to be Independent Directors. The Committee shall identify suitable candidates, examine and review candidates to ensure that such candidates will be able to function as directors 'Independently' and void of any conflict of interest, obligations, pressure from other Board members, KMPs, senior management and other persons associated with the Company. Apart from being 'Independent', such candidate should be eligible and worthy to be appointed as directors based on criteria mentioned at serial number I above.

## **III) Appointment of Key Managerial Personnel and senior management personnel**

The Committee shall review organization structure. It shall identify persons who may be appointed as Key Managerial Personnel or as a part of senior management. While recommending appointment of any such candidate, the Committee shall consider expectations of the role of the position being considered, qualification, skill, expertise, background, human qualities such as abilities to perform as a part of a team, emotional quotient, etc. Key Managerial Personnel and senior management personnel shall possess following criteria:

### **Sr. Designation Criteria**

1. Executive director and Chief Executive Officer with overall experience in textiles, management, administration, etc.
2. Chief Financial Officer Financial / Accounting qualification with relevant experience.
3. Company Secretary Must be a member of the Institute of Company Secretaries of India.
4. Head – Production: Must possess a technical qualification /practical experience of significant importance relevant to operations.
5. Head – Purchase, Procurement and Sales must possess a technical qualification / experience backed by long experience relevant to operations.
6. Head – HCGA Must have graduation with Human Resource as main subject.

**Requirements common to all above positions:**

- Scale and nature of business of the Company/ies where he worked in past. Person having experience with company equivalent to the company's scale should be preferred.
- Growth he /she made in past and significant achievements for his employer.
- Family background including family location.

**PART – B: Remuneration and Perquisites.**

**IV) Remuneration of directors, Independent Directors, KMPs, senior management personnel**

The Committee shall recommend the remuneration payable to directors, Independent Directors, KMPs, senior management personnel. The Committee shall consider top industry indicators, requirements of role, qualification and experience of candidate, expected contribution of executive to the profitability challenges specific to the Company and such other matters as the Committee may deem fit. The remuneration must motivate individuals to achieve benchmarks which must be aligned to the vision of the Company. It may contain following:

**a. Fixed pay:**

The Managing Director, CEO and Whole-time Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the NRC and approved by the shareholders and Central Government, wherever required.

The CFO shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the NRC.

The Company Secretary and Senior Management Personnel shall be eligible for a fixed monthly remuneration as may be approved by the Board on the recommendation of the NRC. Presently variable pay is not considered to be relevant for the Company. However, the company may selectively pay variable remuneration to the executives whose position is critical for variation in business or profitability.

The management shall periodically find out the remuneration scale prevalent in the industry / peer group to the extent possible to find out if there is a need for revision in remuneration for retaining the talent.

**b. Minimum Remuneration:**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, CEO, Whole-time Director in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions or if in the opinion of NRC the incumbent should be paid remuneration more than the maximum prescribed in Schedule V subject to the approval of shareholders, if required.

**A THACKERSEY GROUP COMPANY**

**c. Provisions for excess remuneration:**

If any Managing Director, CEO, Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Companies Act, 2013 or without the prior sanction of shareholders/the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted under the Companies act 2013.

**V) Remuneration to Non-Executive:**

**Remuneration / Commission:**

The Non-Executive directors shall not be eligible for any remuneration / commission, unless specifically approved by the Board of Directors on recommendation of the NRC and by the shareholders.

**Sitting Fees:**

The Non- Executive may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. 1,00,000 per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

**Commission:**

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

**Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

**PART – C: Matters common to Part A and Part B.**

**Evaluation:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

**Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

**Retirement:**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

**PART – D: Succession Planning:**

The Committee shall take a report from each functional head, on annual basis, about progress made by him / her and about efforts taken by him /her for development of successor.

**6. FUNCTIONING OF THE NOMINATION & REMUNERATION COMMITTEE:**

- a) The Talent Acquisition Team within the HR function of the Company, after receiving a mandate that falls within the preview of the NRC, shall complete the Pre employment formalities laid down in the Group Talent Acquisition Policy.
- b) Once the candidates are interviewed and screened by the Talent Acquisition (TA) Team and Hiring Manager, the final short list to be presented to the NRC for its recommendation and consideration.
- c) The NRC shall then put forward its recommendations and consideration to the Board. The decision of the Board shall be final.
- d) The NRC has a right to question the credentials of a candidate put forward to it by TA Team. In case of any discrepancy TA Team should reconsider the candidature.
- e) The remuneration to be considered for the Position should be within the grade/band defined in the Grades, Designation and Bands Policy of the Group and considering the attributes like:
  - i) Experience Profile
  - ii) Academic & Professional qualification of the respective candidates
  - iii) Existing Compensation & benefits
  - iv) Market synergy
  - v) Internal Role-wise compensation study to maintain the equity
  - vi) Importance of the position for sustenance / growth of the business.

**7. AUTHORITY TO DECIDE ON DEVIATIONS FROM THIS POLICY**

The Board of Directors on the recommendation of the NRC may deviate from this Policy if there are specific reasons to do so in a specific case.