

## **NOMINATION AND REMUNERATION POLICY**

**AND**

## **BOARD PERFORMANCE EVALUATION POLICY**

### **Preamble**

The Company has a Remuneration Committee comprised of four Directors. The board terms of reference of the Committee are:

- a) To approve the remuneration and incentive payable to the Whole-Time Director for each financial year; and
- b) To approve any change in Director's Sitting Fees for attending the Board / Committee Meetings and such other matters as the Board may request the Remuneration Committee to examine and recommend/ approve.

The Companies Act, 2013 has made far reaching changes and new provisions relating to appointment, removal, performance, remuneration, etc, of Directors and Key Management Personnel have been introduced in the Act. The Listing Agreement with Stock Exchanges has also been modified in this respect.

In keeping with the changes in the Act and the Listing Agreement with Stock Exchanges, the Company has converted the existing Remuneration Committee into a Nomination and Remuneration Committee. The Board has the power to reconstitute the Committee consistent with the Company's policy and applicable statutory requirement.

In addition a Nomination and Remuneration Policy and a Board Performance Evaluation policy as per the attached document have been formulated which set out the broad guidelines for the functioning of the committee. These policies have been approved by the Board of Directors at its Board meeting held on October 17, 2014 and come into effect from that date.

## **NOMINATION AND REMUNERATION POLICY**

This policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated in terms of the provisions of the Companies Act, 2013 and the listing agreement as amended from time to time and includes the general guidelines on the appointment and remuneration including criteria for determining qualifications, positive attributed and independence of the Directors, Key Managerial Personnel and other employees of the company and other matters provided under sub section (3) of section 178 of the Companies Act, 2013.

The objective and purpose of this 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 and in the industry.
- The 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.
- 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.

The Company has formed a Nomination and Remuneration Committee in compliance with section 178 of the Companies Act, 2013. The Board has the power to reconstitute the Committee consistent with the Company's policy and applicable statutory requirement.

This Policy has been approved by the Board of Directors at its meeting held on October 17, 2014 and comes into effect from that date.

### **Definitions:**

“Board” means Board of Directors of the Company.

“Directors” means Directors of the Company.

“Committee” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

“Company” means Kewal Kiran Clothing Limited

“Independent Director” means a director referred to in Section 149 (6) of the Companies Act 2013.

“Key Managerial Personnel” KMP” means-

- (i) Executive Chairman and / or Managing Director;
- (ii) Whole- time Director;
- (iii) Chief Financial Officer;
- (iv) Company Secretary;
- (v) Such other officer as may be prescribed under the applicable statutory provisions/ regulations.

“Senior Management” mean personnel of the Company occupying the position of Head of the respective Departments of Company.

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.

**Applicability:**

The Policy is applicable to:

- a. Directors (Executive and Non-Executive)
- b. Key Managerial Personnel
- c. Senior Management Personnel

**General:**

This Policy is in three parts:

- Part A covers the matters to be dealt with and recommended by the Committee to the Board:
- Part B covers the appointment and nomination: and
- Part C covers remuneration and perquisites, etc.

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

## **Part - A**

### **Matters to be dealt with, perused and recommended to the Board**

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- 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.
- Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.

## **Part –B**

### **Appointment and removal of Directors, Key Management Personnel and Senior Management**

Appointment criteria and qualifications:

- 1) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his/ her appointment.
- 2) A person should possess adequate qualification, expertise and experience for the position he / she considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- 3) The Company shall not appoint or continue the employment of any person as whole time Director who has attained the age of seventy years. Provided that the term of the Person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.

Terms / Tenure:

*Managing Director/ Whole-time Director:*

The Company shall appoint or re-appoint any person as its Managing Director or Executive Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

*Independent Director:*

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms. However, such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director, subject to the Independent Director, during the said period of three years, not being associated with the Company in any other capacity, either directly or indirectly.

Any tenure of an Independent Director on the date of commencement of The Companies Act, 2013 shall not be counted as a term under Section 149 of the Companies Act, 2013.

At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director, and to three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company.

*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, and Rules made there under 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 and KMP subject to the provisions and compliance of the said Act, rules and regulations.

Retirement:

The Directors and KMP 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-C

### **Remuneration for Directors, Key Management Personnel and Senior Management personnel**

The remuneration/compensation/commission, etc, to the Directors, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration/ compensation / commission, etc. shall be subject to the prior/ post approval of the shareholders of the Company and Central Government wherever required.

#### **Remuneration to Non-Executive / Independent Directors:**

##### *Sitting Fees*

The Non-Executive Directors shall be paid sitting fee for attending the Board and Committee meetings. The amount of such fees shall be as recommend by the Nomination and Remuneration Committee and approved by the Board subject to the limits specified under the Act or by the Central Government from time to time. In addition, the Directors shall be paid for travel and accommodation expenses in connection with Board/ Committee meetings of the Company

##### *Commission*

No Commission shall be paid to Non-Executive/ Independent Directors.

##### *Stock options*

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

#### **Remuneration of Executive / Whole Time Director:**

General principal for the remuneration of the Executive / Whole-Time Director/ Key Management Personnel and Others:

- To compensate all executive adequately so as to attract, retain and motivate the best talents at all levels. In order to attract and retain managerial expertise, the elements of the remuneration of the members of the Executive Board / Key Managerial Personnel and Senior management personnel shall be determined on the basis of their performance, the functions they perform and the value they create as well as of the conditions in other companies. Care should be taken to ensure that there is minimum disparity between compensation level of existing and new employees.
- To compensate the employees for updating themselves with the changing requirements of the business and laws and enhance their capabilities for the benefit of the organization for attending skill development programmes and courses

The Executive/ Whole-Time Directors shall be paid salary keeping in view the overall permissible managerial remuneration as per Section 197 of the Companies Act, 2013

Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-Time Director. Increments will be effective from 1<sup>st</sup> April in respect of a Whole-time Director and other employees of the Company.

Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its 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, with the previous approval of the Central Government.

Excess remuneration:

If the 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 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 by the Central Government.

Remuneration of key Management Personnel and Senior Management personnel:

Each element of the remuneration should be weighted in order to ensure a continuous positive development of the company both in the short and long-term.

(i) Fixed salary, allowances and perquisites

*Basic Salary:*

The basic salary for all new recruitments shall be decided based on negotiations. At the time of recruitment, HRD should ensure that the salary is within the salary range of that particular grade in which the executive is to be recruited. Subsequent changes in the basic salary will be effected only at the time of an annual increment based on performance/ promotion.

*House Rent Allowance:*

For all grades, HRA will be 50% of the basic in metros and 40% in non-metro (for existing executives in grade 5 and above whose HRA is 50% of basic in non metro, the HRA will be brought down to 40% of basic and the differential amount will be added as Special Allowance).

*Conveyance Allowance:*

This is a fixed amount as per grade, it is provided for travel to and from the place of residence to work.

*Special Allowance:*

This is a variable component of the salary and is decided on case to case basis, depending upon the job profile / special circumstances of the employee.

*Leave Travel Assistance:*

This is a fixed amount as per grade and applicable to all executives. It is provided as financial assistance for travel to any place in India for the executive and his/ her family while on leave.

*Medical Reimbursement Facility:*

Medical reimbursement is paid to executives for medical treatments and health check-up for self and family.

*Retrial Funds:*

This includes Provident fund, Gratuity and Leave encashment payable to employees and will be governed by the rules of the individual funds / company policy as appropriate.

(ii) Annual Performance bonus:

Annual Performance Bonus is a variable incentive award in order to encourage the management team to meet the short-terms as well as long-term goals of the Company. The Board considers it appropriate that incentive programmes exist for the Executive/ Whole-time Directors and Senior Management personnel of the Company. Such incentive programmes may comprise any form of performance bonus, etc.

Annual bonus arrangements are one –year bonus schemes. The annual bonus payments are conditional upon compliance in full or in part with the terms and targets defined by the company and payable to the employees who are in service / extension at the time of declaring the bonus.



### (iii) Promotions / Increments

A promotion is a career opportunity for an employee that involves greater responsibilities and may also involve an increase in salary, and a change in title. In the normal course, an employee should have completed at least a minimum of 1 year of service in the Company, prior to being eligible for any kind of promotion.

The Company shall have a process of carrying out an annual appraisal of all its KMP and Senior Management personnel to assess their performance for the previous financial year. This appraisal shall form the basis for any increments that may be considered.

The criteria of evaluation for promotions/ increments would, inter alia, be as follows.

1. Need of the Organisation.
2. On basis of performance appraisal scores.
3. Attendance (excluding Privilege Leave)
4. Competencies Education
5. Honesty and sincerity
6. Due weightage to a good service record in terms of:
  - Multi –tasking - Ability to do more than one task:
  - Behavior with subordinates, colleagues, peers
  - Demonstrated ability to improve quality, productivity, safety, cost and efficiency.
  - Consistency in the quality of work
  - Willingness to accept tasks
  - Ability to finish tasks on time and up to the desired level of efficiency.

Point to be considered for promoting an employee:

- Actual achievements against Key Responsibilities, Objectives (Action Plans), and measurements of performance factors leading to the overall scores of the appraisal
- Competency at new level for the employee being considered for promotion
- Overall growth plan of the organization
- The promotion should lead to adding on more responsibilities
- Education shall be used as a one of the main criteria for promotion of any person to a senior Managerial cadre and above; he should possess at least a Masters level degree or PG Diploma from a recognized institute.

## **PERFORMANCE EVALUATION POLICY OF BOARD AND INDIVIDUAL DIRECTORS**

### **1. PREAMBLE**

Good governance envisages a continuous process of planning, setting directions, monitoring progress, evaluating performance, and accessing results. As part of this process it would be imperative for the Board of Directors of Kewal Kiran Clothing Limited (the Company) to evaluate the Board's Collective and Individual performance on an annual basis.

The evaluation process is intended to assess the collective performance of the Board and the effectiveness of the Board in fulfillment of its principal responsibility of ensuring corporate governance.

### **2. PURPOSE AND SCOPE**

Each year the board of directors (the Board) of the Company will carry out an evaluation of its own performance and also of individual director. Performance evaluation is designed to:

- (a) Review the pre-determined role of the Board and individual Directors;
- (b) Annually assess how well directors are discharging their responsibilities; collectively by assessing the Board's effectiveness; and individually by assessing the quality of a Director's contribution to general discussions, business proposals and governance responsibilities;
- (c) Annually assess the performance of directors in their duties. This is achieved by collectively assessing the Board's effectiveness and by individually assessing the quality of a Director's contribution to general discussions, business proposals and governance responsibilities;
- (d) Regularly evaluate the Directors' confidence in the integrity of the company, the quality of the discussions at Board meetings, the credibility of the reports and information they receive, the level of interpersonal cohesion between Board members and the degree of Board knowledge; and
- (e) Enable Board members, individually and collectively, to develop the key skills required to meet foreseeable requirements with timely preparation, agreed strategies and appropriate development goals.

### 3. PROCEDURE OF EVALUATION

There shall be three categories of evaluation:

- a) Evaluation of Performance of Board
- b) Evaluation of performance of Executive Directors
- c) Evaluation of performance of Non Executive and Independent Directors

#### **Factors**

The Board of Directors may consider the detailed below parameters for the purpose of evaluating the performance of a particular director. In respect of each of the evaluation factors, various aspects have been provided to assist with the evaluation process in respect of performance of Board, Independent Directors and Non- Independent Executive Directors, as such evaluation factors may vary in accordance with their respective function and duties.

#### **Rating Scale**

Performance	Scale
Excellent	5
Good	4
Satisfactory	3
Need Improvement	2
Unacceptable	1

#### **Criterion**

##### **Criterion for evaluation of performance of Board**

The primary survey shall be the Annual Board Performance evaluation. It shall cover following three broad areas of Board accountability.

1. Board responsibilities;
2. Board operations
3. Board effectiveness.

The performance evaluation of the Board shall be done by the Independent Directors

### **Criterion for evaluation of performance of Independent Directors**

Compliance with Articles of Association, Companies Act & other laws  
Compliance with ethical standards and Code of Conduct of Company  
Assistance implementing corporate governance practices  
Rendering independent, unbiased opinion  
Attendance and presence in meetings of Board and Committees  
Attendance and presence in general meetings  
Leadership qualities  
Qualifications  
Disclosure of non –independence, if exists  
Independent view on key appointments and strategy formulation  
Objective evaluation of Board's performance  
Review of integrity of financial information and risk management  
Safeguard of stakeholders' interests  
Appointment and removal of Key Managerial Personnel  
Determination of level of remuneration of Key Managerial Personnel  
Updation of skills and knowledge  
Punctuality  
Information regarding external environment  
Seeking expert opinion, when required  
Raising of concerns to the Board  
Safeguarding interest of whistle- blowers under vigil mechanism  
Reporting of frauds, violation etc.  
Team work attributes  
Safeguard of confidential information.

The performance evaluation of non executive independent directors shall be done by entire board of directors (excluding the director being evaluated).

### **Criterion for evaluation of performance of Executive Directors**

Compliance with Article of Association, Companies Act and other laws  
Strategic planning –financial & business  
Monitoring Performance against plans  
Compliance with ethical standards & code of conduct  
Exercising duties diligently  
Qualifications and Experience  
Punctuality  
Disclosure of interest  
Leadership skills  
Motivating employees, providing assistance & directions

The performance evaluation of the Chairman and Executive directors shall be done by the independent Director.

#### **4. METHODS OF CARRYING PERFORMANCE EVALUATION**

The performance evaluation of Board and individual Director can be carried out by adopting any of the following method:

In-house evaluation

In-house evaluation facilitated by external provider

Evaluation carried out entirely by external provider

#### **5. SUPPORT**

The Secretarial and legal department is responsible for providing the support necessary to carry out the above evaluation and to report to the Board on the results of the surveys, recommending follow -up action as required.

#### **REVIEW**

Subject to the approval of Board of Directors, the Nomination and Remuneration Committee reserves its right to review and amend this Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution at a meeting of the Nomination and Remuneration Committee.

#### **DISCLOSURE**

In accordance with the requirement under the Act/Listing Agreement, disclosure regarding the criterion for performance evaluation, qualification, positive attributes and independence will be made by the Board of Directors in the Board report, further, the Board's report containing such statement will be made available for the review of shareholders at the general meeting of the Company.