

**Nomination & Remuneration Policy
&
Performance Evaluation of Directors**



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INTRODUCTION

Success of every business depends on its work force. This policy on Nomination and Remuneration of Directors, Key Managerial Personnel (KMPs) and other employees has been formulated in terms of the provisions of the Companies Act, 2013 and the Listing Regulation in order to pay equitable remuneration to the Directors, KMPs and employees of the Company and to harmonise the aspirations of human resources consistent with the goals of the Company.

OBJECTIVE AND PURPOSE OF THIS POLICY

1. To formulate the criteria for identification and selection of the suitable candidates for the various positions in Senior Management and also candidates who are qualified to be appointed as director on the Board of Directors of the Company.

2. To recommend a policy, relating to the remuneration for the directors, Key Managerial Personnel, Senior Management personnel and other employees.

Other Employees means employees who are not covered by the definition of 'Worker' under the Factories Act, 1948 as amended from time to time.

3. To make recommendations to the Board on appropriate performance criteria for the Directors and carry on the performance evaluation of the directors.

4. To identify ongoing training and education programs for the Board to ensure that Non-executive Directors are provided with the adequate information regarding the options of the business, the industry and their legal responsibilities and duties.

5. To assist the Board in ensuring Board nomination process with the diversity of gender, thought, experience, knowledge and perspective in the Board, in accordance with the Board Diversity policy.

6. Establishing and reviewing Board and senior executive succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and senior Management.

7. To carry out any other function as is mandated by the Board from time to time and/ or enforced by any statutory notification, amendment or modification, as may be applicable.



8. To perform such other functions as may be necessary or appropriate for the performance of its duties.

CONSTITUTION

The Committee shall comprise at least three Directors, all of whom shall be non-executive directors out of which not less than one half shall be Independent Directors. The Chairperson being an Independent Director. The Chairperson of the Committee or in case of his absence, any other person authorised by him shall attend the general meetings of the Company. The quorum for the meeting shall be as prescribed under Companies Act, 2013 and Listing Regulations as amended from time to time. The Committee may meet, convene and conduct Committee meetings through video conferencing or audio visual means, as may be provided by the Company

The Board has constituted the Committee which is in line with provisions of the Companies Act, 2013 as amended from time to time. The Committee shall be guided by the broad principles as laid down below in respect of nominating persons to hold office of director, senior management including key managerial personnel and recommending the remuneration payable.

Applicability

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

DEFINITIONS

1. "Act" means Companies Act, 2013 as amended from time to time.
2. "Board" means Board of Directors of the Company.
3. "Independent Director" means a Director referred to in Sec 149 (6) of the Act and Reg 16 (1) (b) of Listing Regulations.
4. "Key Managerial Personnel (KMP)" means KMP as defined under Sec 2 (51) of the Act.
5. "Listing Regulations" means SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended from time to time.
6. "Senior Management" as per defined under Reg 16 (1) (d) of Listing Regulations to mean Officer/ Personnel of the listed entity who are members of its Core Management Team excluding Board of Directors and normally this shall

comprise of all members of management one level below Chief Executive Officer/ Managing Director/ Whole Time Director/ Manager (including Chief Executive officer/ Manager, in case they are not part of Board) and shall specifically include Company Secretary and Chief Financial officer.

(As per Explanation to Sec 178 of the Companies Act, 2013, "Senior Management" means personnel of the Company who are members of its core management team excluding Board of Director comprising of all members of management one level below the executive directors including the functional head)

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

I. CRITERIA FOR SELECTION OF MEMBERS ON THE BOARD OF DIRECTORS AND CANDIDATES FOR SENIOR MANAGEMENT.

The Committee has adopted the following criteria for selection of member on the Board of Directors of the Company and also candidates eligible to be appointed in the Senior Management of the Company.

A) CRITERIA FOR SELECTION OF DIRECTORS

Before making any recommendation to the Board for appointment of any director, the Committee shall ensure that:

- a) The candidate possesses positive attributes/ qualities such as Leadership, Integrity, qualification, expertise and experience in the capacity as Industrialist, Business Advisor or such other attributes which in the opinion of the Committee the candidate possess, and are in the interest of the Company;
- b) The candidate possesses appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations, infrastructure, or such other areas or disciplines which are relevant for the Company's business.
- c) The candidate shall be free from any disqualifications as provided under Sections 164, 167 and other applicable provisions if any of the Companies Act, 2013;



- d) The candidate meet the conditions of being independent as stipulated under the Companies Act, 2013 and SEBI(LODR) Regulations, 2015 as amended from time to time in case of appointment of an independent director;

IDENTIFY PERSONS WHO ARE QUALIFIED TO BE DIRECTORS & SENIOR MANAGEMENT

The Committee shall identify persons who are qualified to become Directors & Senior Management and who satisfy the criteria laid down. The process of identification shall include ascertaining, meeting, screening and reviewing the candidates for appointment as Directors, whether Independent, Non-Executive or Executive including Senior Management. The existing Directors who continue to satisfy the criteria may also be considered by the Committee for re-appointment.

PROPOSAL OF CANDIDATES FOR BOARD APPROVAL

The Committee on satisfaction of a potential candidate meeting the criteria and having completed the identification and selection process, will recommend such persons' candidature to the Board for appointment as a Director either Executive/ Non Executive/ Independent including Senior Management, as the case may be.

The Committee may recommend the candidates to the Board when:

- Any vacancy in the Board is required to be filled due to retirement or resignation or
- Any vacancy arisen out of annual Board performance evaluation or
- Any vacancy as a result of end of tenure in accordance with the Act, its Rules and Listing Regulations or
- Any change required in the Board on account of diversity – any change required by law.

TERM / TENURE

a) **MANAGING DIRECTOR/WHOLE-TIME DIRECTOR:**

The Company shall appoint or re-appoint any person as its Executive Chairman, 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.



As per Reg 17 (1B) of Listing Regulations, w.e.f. April 1, 2020, the top listed entities shall ensure that the chairperson of the Board of such listed entity shall -

- i) be a non executive director
- ii) not be related to Managing Director or the Chief Executive officer as per the definition of term "relative" defined under the Companies Act, 2013.

Provided that this regulation shall not be applicable to the listed entities which do not have any identifiable promoters as per the shareholding pattern

b) 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 of upto maximum of 5 years each, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director.

Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly. 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 three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act.

REMOVAL

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

RETIREMENT

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act 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.

B) CRITERIA FOR SELECTION OF SENIOR MANAGEMENT

The Committee shall, before making any recommendation to the Board for their appointment, should ensure that the candidate has the attributes set forth below:

- a) The candidate should have a minimum experience of 10 years in any of the areas viz. infrastructure, financial management, legal, sales, marketing, administration, research, corporate governance, technical operations, or such other areas or disciplines which in the opinion of the management and Committee are relevant for the Company's business;
- b) The candidate should possess qualities that demonstrate leadership skills, decision making skills, effective communication, hard work, commitment and such other attributes which in the opinion of the Committee the candidate possess and are in the interest of the Company.

If the Committee thought fit and in its opinion finds that the candidate meets the above criteria for appointment (as director on the Board or in senior management), the Committee shall make its recommendation to the Board.

Any amendment to the above criteria for directors and senior management shall be subject to the prior approval of the Committee and any such amendment shall be informed to the Board of Directors.

II. REMUNERATION POLICY FOR DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT AND OTHER EMPLOYEES

A) REMUNERATION OF MANAGING DIRECTOR, WHOLE TIME DIRECTOR AND MANAGER:

The Committee while considering the remuneration of the Managing Director, Whole Time Director and Manager (wherein there is no Managing Director), may take into consideration the performance of the Company, the experience of the person, his background, job-profile and suitability, his past remuneration, the comparative remuneration profile in the industry, size of the Company, responsibilities shouldered by the Managing Director/ Whole Time Director etc., provided that any remuneration considered by the Committee shall be in accordance and within the limits stipulated under the Companies Act, 2013.

B) REMUNERATION OF NON-EXECUTIVE DIRECTOR (NED)



- a) The remuneration to the NEDs may be restricted to the sitting fees for attending meetings of the Board of Directors and meetings of Audit Committee.
- b) The Independent Directors of the Company shall be entitled to remuneration restricted to the sitting fees for attending meetings of the Board of the Directors and meeting of the Audit Committees, provided that any sitting fees paid to the Independent Director shall not be less the sitting fees paid to non-executive directors.
- c) Independent Directors shall not be eligible for stock options of the Company, if any.

Any incidental expense incurred by the directors with relation to the participation in the meetings of the Board and the Audit Committee shall be reimbursed.

C) REMUNERATION OF OTHER KMPs, SENIOR MANAGEMENT AND OTHER EMPLOYEES

The Remuneration of the Senior Management, KMPs and other employees shall be in accordance with the Policy of the Company which is applicable to the employees. The Committee may consider the remuneration of a Senior Management keeping in view of the performance of the Business/ Function under his control and also the contribution of the Business/ Function under his control towards the overall performance of the Company.

Other Employees means employees who are not covered by the definition of 'Worker' under the Factories Act, 1948 as amended from time to time.

III. EVALUATION OF PERFORMANCE OF DIRECTORS

A) EVALUATION OF THE PERFORMANCE OF MANAGING DIRECTOR/ WHOLE TIME DIRECTOR

The performance of the Managing Director/ Whole Time Director of the Company may be carried out by the entire Board of Directors excluding the Director being evaluated and as per SEBI circular no. SEBI/HO/CFD/MD/CIR/2017/004 dated 05.01.2017 (as amended from time to time) taking into consideration various factors like the performance of the Company visa-vis the budgets as well as performance of its competitors etc... Emphasis on achieving top line and bottom line targets, with no adverse qualification by the auditors in the accounts, may be made.

B) EVALUATION OF THE PERFORMANCE OF NON-EXECUTIVE DIRECTORS AND INDEPENDENT DIRECTORS (NEDs AND IDs)



The Committee while evaluating the performance of the NEDs and IDs may take into consideration various factors as mentioned below:

- a) Attendance at Meetings - attendance at Board Meetings, AGMs, Committee meetings.
- b) Other Directorships held by the NED – in listed or unlisted companies
- c) Other companies in which NED is a Chairperson
- d) Participation at Board/Committee meetings
- e) Input in strategy decisions
- f) Review of Financial Statements, risks and business performance
- g) Time devoted towards discussion with Management
- h) Review of Minutes – Board Minutes, Committee meeting minutes and AGM Minutes

Marks may be assigned for each of the above criteria and based on the score achieved, the Committee may evaluate the performance of each non-executive director and independent director. Evaluation of Non Executive Directors and Independent Directors shall also be carried out as per SEBI circular no. SEBI/HO/CFD/MD/CIR/2017/004 dated 05.01.2017 (as amended from time to time) taking into consideration various factors enumerated in that circular.

Further provided that, any amendment to any of the clauses in the aforesaid policy shall be subject to the prior approval of the Committee and such amendment shall be informed to the Board of Directors of the Company.

February 14, 2019
Kizhakkambalam

Sabu M. Jacob
Chairman & Managing Director

Note:

1. The Policy was first adopted by the Board on January 25, 2016
2. The Policy was last updated on January 30, 2017

For KiteX Garments Limited

Company Secretary

