

# **DHANLAXMI COTEX LIMITED**

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**CIN: L51100MH1987PLC042280**

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## **POLICY ON NOMINATION AND REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

**(Revised on 01<sup>st</sup> February, 2019)**

### **FOREWORD**

A transparent, fair and reasonable process for selection of directors, key managerial personnel and senior management and appropriate remuneration at all levels of the Company is required to ensure that Shareholders remain informed and confident in the management of the Company. The Company also understands the importance of attracting and maintaining high quality individuals for managing its affairs from directors level right through to support staff.

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and Senior employees of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 and the listing agreement as amended from time to time this policy on nomination and remuneration of Directors, Key Managerial Personnel and Senior Management has been formulated by the Committee and approved by the Board of Directors.

### **REGULATORY BACKGROUND**

As per revised clause 49 of listing agreement and section 178 of the Companies Act, 2013 the Board of Directors of every listed company shall constitute a Nomination and Remuneration Committee and the role of the committee shall, *inter-alia*, include the following:

1. Formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other senior management employees;
2. Formulation of criterion for evaluation Directors performance on the Board and also the performance of the Board as a whole.
3. Devising a policy on Board diversity;
4. Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the Board their appointment and removal. The company shall disclose the remuneration policy and the evaluation criteria in its Annual Report.

**Section 178 (4) of the Companies Act, 2013 stipulates that while formulating the policy the Committee shall ensure that —**

- a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

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- c) 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:

In view of the above, a policy is formulated and established for nomination and remuneration of Directors, key managerial personnel and senior management of the Company.

## 1. **PURPOSE**

This Policy on nomination and remuneration (the "Policy") describes the process through which candidates for possible inclusion in the Company's recommended slate of director, key managerial personnel and senior management (the "Candidates") are selected. The Policy is established and administered by the Nomination and Remuneration Committee (the "Committee") of **Dhanlaxmi Cotex Limited** (the "Company").

The policy will provide guidance and restrictions for the appointment and compensation of Directors, Key Managerial Personnel and other Senior Management Personnel.

### **The key objectives of the Committee would be:**

- i. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management Personnel,
- ii. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board and
- iii. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management Personnel.

## 2. **DEFINITIONS**

The definitions of some of the key terms used in this Policy are given below.

- a) **"Board"** refers to collective body of board of directors of the Company.
- b) **"Director"** means a director as defined under section 2(34) of the act except nominee director and director appointed by small shareholders.
- c) **"Key Managerial Personnel"** means a person appointed pursuant to section 203 of the act.  
  
Key Managerial Personnel means –
  - i. Chief Executive Office or the Managing Director or the Manager,
  - ii. Whole Time Director,
  - iii. Chief Financial Officer,
  - iv. Company Secretary and
  - v. Such other officer as may be prescribed
- d) **"Nomination and Remuneration Committee"** means a committee formed pursuant to section 178 of the act.

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- e) **“Senior Management”** includes all personnel just below one level of board of directors of the Company and whose reporting is directly to the executive directors of the Company.

Personnel of the Company, who are part of its core management team excluding the Board of Directors. This would also include all members of management one level below the chief executive officer / managing director / whole time director and shall specifically include company secretary and chief financial officer.

- f) **“The Act”** means Companies Act, 2013.
- g) **“The Company”** means **Dhanlaxmi Cotex Limited** incorporated under Companies act 1956

## **PART A – NOMINATION POLICY**

### **3. BOARD MEMBERSHIP CRITERIA**

The Committee is responsible for, among other things for identifying individuals qualified to become members of the Company's Board of Directors (the "Board") and recommending to the Board, the nominees to stand for election as directors. The Nomination Committee shall take into account all of the following criteria while determining the qualifications of any candidate for director:

**Integrity and Judgment:** Directors should have the highest level of integrity, ethical character and the ability to exercise sound business judgment on a broad range of issues consistent with the Company's values.

**Qualification & Knowledge:** Directors should be financially literate and have a sound understanding of business strategy, corporate governance and board operations.

**Diversity:** Directors should be capable of representing the multi-cultural nature of our global corporation with consideration being given to a diverse board in terms of gender and ethnic membership. In addition, the Committee shall take into account diversity in professional experience, skills and background.

**Independence:** Directors who are not current or former management should meet the spirit as well as the letter of the applicable independence standards. In addition, all Directors should be independent in their thought and judgment so that they represent the long-term interests of all shareholders of the Company.

**Experience and Accomplishments:** Directors should have significant experience and proven Superior performance in professional endeavors whether this experience is in business, government, and academia or with non-profit organizations.

**Board Interaction:** Directors should value board and team performance over individual performance, demonstrate respect for others and facilitate superior board performance. Directors should be willing and able to devote the time required to become familiar with Company's business and to be actively involved in the Board and its decision-making.

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**Skills:** Directors should have expertise in one or more of the areas such as accounting and finance, technology, management, international business, compensation, legal, HR, corporate governance, strategy, industry knowledge and general business matters.

#### **4. IDENTIFICATION OF CANDIDATES FOR BOARD MEMBERSHIP**

##### **A. Internal Process for Identifying Candidates.**

The Committee has two primary methods for identifying Candidates. First, the Committee may solicit ideas for possible Candidates from a number of sources including present members of the Board; senior level Company executives; individuals personally known to the members of the Board; and research, including database and Internet searches.

##### **B. External Process for Identifying Candidates.**

Second, the Committee may from time to time retain at the Company's expense one or more search firms to identify Candidates (and to approve any such firms' fees and other retention terms). If the Committee retains one or more search firms, such search firms may be asked to identify possible Candidates who meet the qualifications expressed in this Policy, to interview and screen such candidates (including conducting appropriate background and reference checks), to act as a liaison among the Board, the Committee and each Candidate during the screening and evaluation process, and thereafter to be available for consultation as needed by the Committee.

#### **5. RECOMMENDATION OF CANDIDATE**

The Committee will consider all Candidates identified through the processes described above, and will evaluate each of them, based on the criteria set forth above and if thought fit, will recommend their appointment to the Board.

#### **6. CRITERIA FOR APPOINTMENT OF SENIOR MANAGEMENT AND KEY MANAGERIAL PERSONNEL**

The Committee is also responsible for identifying individuals qualified to occupy position of key managerial personnel and in the senior management of the Company and selecting, or recommending to the Board their appointment. The Nomination Committee shall take into account all of the following criteria when determining the qualifications of any candidate in senior management position:

**Integrity and Judgment:** Candidate should have the highest level of integrity, ethical character and the ability to exercise sound business judgment on a broad range of issues consistent with the Company's values.

**Qualification & Knowledge:** Candidate should have expert knowledge in his field of work and should have industry knowledge and general business matters.

**Independence:** The candidate should be independent in his thought and judgment so that he represents the long-term interests of the Company.

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**Experience and Accomplishments:** The candidate should have significant experience and proven superior performance in his professional endeavors

## **7. IDENTIFICATION OF CANDIDATES FOR SENIOR MANAGEMENT AND KEY MANAGERIAL PERSONNEL ROLE**

### **A. Internal Process for Identifying Candidates**

The Committee may solicit ideas for possible Candidates from a number of sources including present members of the Board; senior level Company executives; individuals personally known to the members of the Board; and research, including database and Internet searches.

### **B. Identification through Human Resource Department**

The Committee may instruct human resource department to search through its available resources/network an appropriate candidate for the required position in senior management.

### **C. External Process for Identifying Candidates**

The Committee may from time to time retain at the Company's expense one or more search firms to identify Candidates (and to approve any such firms' fees and other retention terms). If the Committee retains one or more search firms, such search firms may be asked to identify possible Candidates who meet the qualifications expressed in this Policy, to interview and screen such candidates (including conducting appropriate background and reference checks), to act as a liaison among the Board, the Committee and each Candidate during the screening and evaluation process, and thereafter to be available for consultation as needed by the Committee.

## **8. RECOMMENDATION**

The Committee shall consider all Candidates identified through the processes described above, and shall evaluate each of them, based on the criteria set forth above and if thought fit, will recommend their appointment to the Board.

<b><u>PART B - REMUNERATION POLICY</u></b>
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## **9. EXECUTIVE DIRECTOR REMUNERATION**

### **Main principles**

The Remuneration and Nomination Committee's reward policy reflects its obligation to align executive directors' remuneration with shareholders' interests and to engage appropriately qualified executive talent for the benefit of the group. The nomination and remuneration committee shall consider following criteria before recommending the remuneration of executive directors:

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- Ø Reward reflects the competitive global market in which the company operates.
- Ø Individual reward should be linked to performance criteria.
- Ø Executives should be rewarded for both financial and non-financial performance.

## **Elements of Remuneration**

The executive directors' total remuneration consists of the following:

- Ø Salary - each executive director receives a fixed sum payable monthly in cash.
- Ø Perquisites and allowances, if deem fit by remuneration committee
- Ø other benefits - executive directors are eligible to participate in superannuation schemes and such other benefits as may be prescribed the nomination and remuneration committee.

## **Overall Director Remuneration**

Overall managerial remuneration shall not exceed 11% of net profit of the Company for a particular financial year. No remuneration (except sitting fees) shall be paid to any director of the company unless it is recommended to the board by remuneration committee of the Company and other applicable statutory provisions are complied with.

## **10. NON-EXECUTIVE DIRECTOR REMUNERATION**

No remuneration shall be paid to non-executive directors except sitting fees in the manner and as per the terms as approved by board of directors of the Company. The Nomination and remuneration Committee, if deem fit, may recommend to the board remuneration to non-executive directors not exceeding 1% of net profit of the Company.

## **11. FORMS OF REMUNERATION**

### **Fixed Remuneration**

The Board in consultation with the Nomination & Remuneration Committee will from time to time determine the fixed remuneration level for all Directors, key managerial personnel and senior management. For other employees, respective department heads, under an intimation to Human Resource Department, are allowed to fix such remuneration as they deem fit. Such remuneration levels will be determined according to industry standards, relevant laws and regulations, labour market conditions and scale of Company's business relating to the position. The fixed remuneration will reflect the core performance requirements and expectations of the Company.

### **Performance based Remuneration**

In addition to fixed remuneration, the Company may implement a system of bonuses and incentives designed to create a strong relationship between performance and remuneration. Performance based remuneration will be linked to specific performance targets which will be disclosed to relevant employees regularly.

## **12. EMPLOYEE ENTITLEMENTS**

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The Company will comply with all legal and industrial obligations in determining the appropriate entitlement to long service, annual, personal and parental leave.

### **13. ROLE OF THE NOMINATION AND REMUNERATION COMMITTEE:**

The Committee will perform based on the following:

To identify the persons, who are qualified to become Directors of the Company or who may be appointed in Senior Management,

To recommend to the Board, appointment and removal of the Director[s] and evaluation of each Director's performance,

To formulate criteria for determining qualifications, positive attributes and independence of a Director,

To review on annual basis the compensation to the Non-Executive Directors, Key Managerial Personnel and Senior Management Personnel and recommend to the Board the remuneration and incentive payable to each of them,

Ensure that level and composition of remuneration is reasonable and sufficient, its relationship with performance is clear and meets appropriate performance benchmarks,

To develop and review the succession plan for the Board.

#### **Membership, Chairman and Secretary:**

The Committee shall consist of a minimum 3 Non-Executive Directors, majority of them shall be Independent Directors,

The presence of minimum two members of the Committee shall constitute a valid quorum,

The Chairman of the Committee shall always be an Independent Director,

In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to be the Chairman for that meeting,

The Company Secretary of the Company shall act as the Secretary to the Committee.

#### **Duties for Nominations:**

The duties of the Committee in relation to nomination matters include:

Ensuring that there is an appropriate induction in place for new Directors and members of Senior Management Personnel and reviewing its effectiveness,

Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the provisions of Companies Act, 2013 and the Listing Agreement,

Determining the appropriate size, diversity and composition of the Board, iv. Selecting new Directors for appointment on the Board in a transparent manner,

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Reviewing succession of the Board and Senior Management Personnel on regular interval,

Reviewing the performance of the Board and Senior Management Personnel to achieve the Company's business goals.

**Duties for Remuneration:**

The duties of the Committee in relation to remuneration matters shall include: i. To ensure that the remuneration is reasonably and sufficiently paid in order to attract, retain and motivate the Board members, based on the performance of the Company and such other factors as the Committee shall deem appropriate,

To review and recommend the remuneration of Key Managerial / Senior Management Personnel maintaining a balance between fixed and incentive pay based on the working of the Company,

To recommend to the Board, all remuneration, in whatever form, payable to senior management

**14. REVIEW**

The Nomination & Remuneration Committee is responsible for the monitoring, implementation and review of this policy. The Nomination & Remuneration Committee will provide recommendations to the Board as to how to effectively structure and facilitate a remuneration strategy, which will meet the needs of the Company.

This Policy is intended to provide a set of flexible guidelines for the effective functioning of the Company's nominations process for directors, KMPs and senior management. The Committee intends to review this Policy at least annually and anticipates that modifications may be necessary from time to time as the Company's needs and circumstances evolve, and as applicable legal or listing agreement change. The Committee may modify or amend this Policy at any time without advance notice.

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