

PRAKASH WOOLLEN & SYNTHETIC MILLS LIMITED

Nomination and Remuneration Policy

(Nomination Policy, Remuneration Policy, Succession Planning and
Performance Evaluation Policy etc.)

DATE OF FIRST APPROVAL	31 March 2014
AMENDED ON	12 February 2019
APPLICABLE FROM	01 April 2019
AGREED BY THE NOMINATION AND REMUNERATION COMMITTEE	APPROVED BY THE BOARD OF DIRECTORS
	
(Chairman of the Committee)	(Chairman of the Board)

PRAKASH WOOLLEN & SYNTHETIC MILLS LIMITED

Nomination and Remuneration Policy

The Remuneration Committee of Prakash Woollen Mills Limited (“the Company”) was constituted on April 31, 2003 consisting of three Independent Directors. The Board on March 31, 2014 renamed the “Remuneration Committee” as “Nomination and Remuneration Committee” and further amended on February 12, 2019 to align with the provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 [referred hereinafter as SEBI (LODR), 2015] as amended.

This Policy is formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Regulation 19 of the SEBI (LODR), 2015 as amended.

1. OBJECTIVE

The Key Objectives of the Committee would be:

- 1.1. To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 1.2. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 1.3. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- 1.4. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.5. To devise a policy on Board diversity.
- 1.6. To develop a succession plan for the Board and to regularly review the plan.

2. DEFINITION

- 2.1. “Act” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

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- 2.2. **“Board”** means Board of Directors of the Company.
- 2.3. **“Directors”** mean Directors of the Company.
- 2.4. **“Key Managerial Personnel”** means
- (i) the Chief Executive Officer or the managing director or the manager;
 - (ii) the company secretary;
 - (iii) the whole-time director;
 - (iv) the Chief Financial Officer; and
 - (v) such other officer as may be prescribed;
- 2.5. **“Senior Management”** shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

3. ROLE OF COMMITTEE

3.1. The role of the Committee, *inter alia*, will be the following:

- 3.1.1. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the directors, key managerial personnel and other employees;
- 3.1.2. formulation of criteria for evaluation of performance of independent directors and the Board of Directors;
- 3.1.3. devising a policy on diversity of board of directors;
- 3.1.4. 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 and recommend to the board of directors their appointment and removal;
- 3.1.5. whether to extend or continue the term of appointment of the independent director on the basis of the report of performance evaluation of independent directors;
- 3.1.6. recommend to the Board, all remuneration, in whatever form, payable to senior management.

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- 3.1.7. develop and share the succession planning for the Board and reviewing the same from time to time.

3.2. Policy for appointment and removal of Director, KMP and Senior Management.

3.2.1. Appointment criteria and qualifications

- a) 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.
- b) A person should possess adequate qualification, expertise and experience for the position he / she is 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.
- c) 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.
- d) The Company shall not appoint or continue any person as Non-executive Director who has attained the age of seventy five years. Provided that the term of the person holding this position may be extended beyond the age of seventy five 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 appointing such a person.

3.2.2. 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.

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No re-appointment shall be made earlier than one year before the expiry of term.

A person shall not be a director in more than eight listed entities with effect from April 1, 2019 and in not more than seven listed entities with effect from April 1, 2020.

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.
- Explanation: The count for the number of listed entities on which a person is a director / independent director shall be only those whose equity shares are listed on a stock exchange.

3.2.3. Performance Evaluation

Nomination and Remuneration Committee shall be empowered to specify and implement the methodology for effective evaluation of the Board, its various Committees and the individual directors, including Independent Directors.

The evaluation process may be carried out by Nomination and Remuneration Committee itself or be entrusted on the Board or any independent external agency to be appointed for the specific purpose.

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Nomination and Remuneration Committee, Board or the independent external agency, as the case may be, shall evaluate annually the performance of the Board, its various Committees and the individual directors on the basis of the methodology specified by the Nomination and Remuneration Committee. As an evaluation methodology, the evaluator may choose to benchmark the practices of other boards of directors; circulate surveys, questionnaires and evaluation forms to Directors and use such other methods as it may deem helpful and appropriate in order to assess the performance.

Nomination and Remuneration Committee shall review the implementation of the evaluation mechanism and oversee the compliance of the evaluation system and may carry out any change in the mechanism, as and when necessary and the evaluator shall have to carry out the evaluation as specified by Nomination and Remuneration Committee

3.2.4. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, 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.

3.2.5. 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.

3.3. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel

3.3.1. Remuneration to Managing/Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

The Remuneration/ Compensation/ Commission etc. to be paid to Director / Managing Director etc. 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.

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3.3.2. Remuneration to Non- Executive / Independent Director:

The Non-Executive Independent Director may receive remuneration / compensation /commission as per the provisions of Companies Act, 2013. The amount of sitting fees shall be subject to ceiling/ limits as provided under Companies Act, 2013 and rules made there under or any other enactment for the time being in force.

4. MEMBERSHIP

- a) The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.
- b) Minimum two (2) members shall constitute a quorum for the Committee meeting.

Quorum for NRC meeting - Either 2 members or 1/3 of the members of the committee, whichever is greater, including at least one independent director in attendance

- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

5. CHAIRMAN

- a) Chairman of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

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6. FREQUENCY OF MEETINGS

- a) The meeting of the Committee shall be held at such regular intervals as may be required.

7. COMMITTEE MEMBERS' INTERESTS

- a) A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

8. SECRETARY

- a) The Company Secretary of the Company shall act as Secretary of the Committee.

9. VOTING

- a) Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- b) In the case of equality of votes, the Chairman of the meeting will have a casting vote.

10. NOMINATION DUTIES

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

- Ensuring that there is an appropriate induction & training programme in place for new Directors and members of Senior Management and reviewing its effectiveness;
- Ensuring that on appointment to the Board, Non-Executive Directors receive a formal letter of appointment in accordance with the Guidelines provided under the Companies Act, 2013;
- Identifying and recommending Directors who are to be put forward for retirement by rotation.
- Determining the appropriate size, diversity and composition of the Board;

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- Setting a formal and transparent procedure for selecting new Directors for appointment to the Board;
- Developing a succession plan for the Board and Senior Management and regularly reviewing the plan;
- Evaluating the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- Making recommendations to the Board concerning any matters relating to the continuation in office of any Director at any time including the suspension or termination of service of an Executive Director as an employee of the Company subject to the provision of the law and their service contract.
- Delegating any of its powers to one or more of its members or the Secretary of the Committee;
- Recommend any necessary changes to the Board.
- Considering any other matters as may be requested by the Board; and

11. REMUNERATION DUTIES

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

- to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- to approve the remuneration of the Senior Management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- to delegate any of its powers to one or more of its members or the Secretary of the Committee.
- to consider any other matters as may be requested by the Board;
- Professional indemnity and liability insurance for Directors and senior management.

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12. MINUTES OF COMMITTEE MEETING

□ Proceedings of all meetings must be minuted and signed by the Chairperson of the said meeting or the Chairperson of the next succeeding meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

13. REVIEW AND AMENDMENT

- i. The NRC or the Board may review the Policy as and when it deems necessary.
- ii. The NRC may issue the guidelines, procedures, formats, reporting mechanism and manual in supplement and better implementation to this Policy, if it thinks necessary.
- iii. This Policy may be amended or substituted by the NRC or by the Board as and when required and also by the Compliance Officer where there is any statutory changes necessitating the change in the policy.
- iv. The amended version of the Policy shall be made available on the website of the Company at www.prakashwoollen.com (investor section).