

## **NOMINATION AND REMUNERATION POLICY**

### **Introduction:**

The Company's Policy is to pay equitable remuneration to Directors, Key Managerial Personnel (KMP) and employees of the Company consistent with the goals of the Company for good Corporate Governance.

Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, also require the Company to formulate a policy relating to Nomination and Remuneration of Board of Directors, Senior Management and Key Managerial Personnel. The responsibility of formulating the policy for the Company is cast on the Nomination and Remuneration Committee of the Board of Directors of the Company.

Accordingly, the Nomination and Remuneration Committee of Board of Directors of the Company have formulated and recommended this policy to the Board and the same is approved by the Board of Directors of the Company.

### **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 carryout evaluation of the performance of Directors including Independent Directors, as well as Key Managerial and Senior Management Personnel.
- To determine whether to extend or continue the term of appointment of the independent director.
- To determine the criteria for qualifications, positive attributes, and independence of Directors.
- To devise criteria for board diversity.
- To develop succession plan for the Board, Senior Management and Key Managerial Personnel.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the manufacturing sector.
- To compensate them 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.

### **Definitions**

- **Act** means the Companies Act, 2013 including schedules annexed thereto and the Rules framed thereunder.
- **Board** means Board of Directors of the Company

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- **Committee** refers to the Nomination and Remuneration Committee of the Board of Directors of the Company as constituted or reconstituted by the Board.
- **Company** means THE LAKSHMI MILLS COMPANY LIMITED
- **Key Managerial Personnel (KMP)** means a person as defined in Section 2(51) of the Act -
  - i. Managing Director or Chief Executive Officer or Manager and in their absence a Whole-time Director;
  - ii. Company Secretary; and
  - iii. Chief Financial Officer.
- **Senior Management** refers to the persons as mentioned in Regulation 16(d) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 -

All Members of Company's Management team one level below the executive director including functional heads and such other officer as may be prescribed under the applicable statutory provisions / regulations.

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

**General**

- This Policy is divided 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 BY THE COMMITTEE**

**The Committee shall:**

- Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- Identify persons who are qualified to become Directors 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, extend and removal of Directors, Key Managerial Personnel and Senior Management Personnel.

**PART – B**

**POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL**

**Appointment criteria and qualifications**

1. The Committee shall identify persons with suitable / desirable educational qualification, rich experience and expertise, integrity, desirable personal traits & leadership qualities and recommend to the Board for appointment as Director, Key Managerial Personnel or at Senior Management level.
2. 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 age, qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
3. The Company shall not appoint or continue the employment of any person as Managing Director or 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.

**Term / Tenure**

**1. Chairman and Managing Director / Whole-time Director**

The Company shall appoint or re-appoint its Chairman and Managing Director or Whole - time 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 of appointment.

**2. 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 for another term of five consecutive years 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, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to be 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 and all times thereafter during the tenure as 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.

**3. Non - Executive - Non- Independent Directors**

The qualification criteria as stated above is applicable for the Non - Executive Non - Independent Directors, however such Directors are liable for retirement by rotation. Non - Executive Directors can hold office till 75 years of age. Provided that the term of the person holding such position may be extended beyond the age of seventy five years with necessary 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.

**4. Senior management Personnel and KMPs not covered above**

The Committee will fix and recommend the age, qualification and experience for persons to be appointed to the Senior Management positions depending upon the functional area where he/she is going to be appointed. Keeping in view of the specific requirement of the Senior Management / KMP position to be filled up, the Committee would select the appointees in line with the recruitment policy of the Company, if applicable the conditions as laid by the Act or SEBI Regulations and recommend to the Board for appointment.

**Board Diversity**

The Committee should always review the constitution of the Board and recommend for reconstitution of the Board, whenever required, so as to ensure that the Board always consists of members with diversified skill, knowledge, experience and expertise to meet the changing requirements of the Company's business. The Committee should always ensure a balanced Board, consisting of members, each of them is expert in one or more functions of management. The Committee shall also consider applicable Sections of the Act / SEBI Regulations while re-constituting the Board.

**Evaluation**

The Committee will devise suitable evaluation criteria and carry out evaluation of performance of every Director, KMP and Senior Management Personnel every year. The evaluation criteria shall include measures to test the skill, competencies, diligence, leadership, attendance, commitment, counseling, loyalty and contribution.

**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

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Management Personnel subject to the provisions and compliance of the said Act, Rules and SEBI 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 other than the Independent Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

**Succession**

The Committee should plan in advance and recommend constitution of the Board of Directors, Senior Management Personnel & KMPs of the Company in such a way that it consist of a combination of members of all age group so as to ensure smooth succession at all times.

**PART – C**

**POLICY RELATING TO THE REMUNERATION FOR THE KMP AND SENIOR MANAGEMENT PERSONNEL**

**General**

1. The remuneration / compensation / commission etc. to the 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.
2. The remuneration and commission to be paid to the KMP shall be in accordance with the slabs / conditions / percentage approved by the Board subject to the provisions of the Companies Act, 2013, and the rules made thereunder.
3. 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 Chairman and Managing Director or Whole Time Director.

**Minimum Remuneration**

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Chairman and Managing Director or 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.

**Sitting Fees**

The Company may pay sitting Fees to Directors for attending Meetings of the Board or Committees thereof such sum as may be decided by the Board of directors which shall not exceed One lakh

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Rupees per meeting of the Board or Committee thereof or such amount as may be prescribed by the Central Government from time to time.

**Commission**

Commission to Non Executive Directors may be paid within the monetary limit approved by shareholders, subject to the prescribed limit on the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

**Reimbursement of Expenses**

The Company should reimburse to the Directors, all the travelling and other out of pocket expenses incurred by them in attending the Meetings of the Board, Board Committees, Independent Directors Meeting, any meetings involving the Board of Directors and the General Body meetings.

**Stock Options**

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

**Directors and Officers Liability Insurance**

Where any insurance is taken by the Company on behalf of its Chairman and Managing Director or Whole time Director, the Company Secretary and Chief Financial Officer or any other Senior Management Personnel for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

**DEVIATION FROM THE POLICY**

Deviation from any element of this policy in extra-ordinary circumstances, when deemed necessary in the interest of the Company may be accepted in specific cases by Board of Directors on the recommendation of the Committee.

**AMENDMENTS**

The Managing Director is authorised to make minor modifications to this policy which will remove ambiguities, enhance clarity on the provisions of the laws, etc. The Committee can recommend amendments to this policy to the Board of Directors, as may be required to be in line with the changes, amendments and modifications if any in the Companies Act, 2013 and Rules made thereunder and SEBI Regulations. In case of any amendment, clarification, circular, notification etc. issued by a competent authority, which is not consistent with the provisions laid down under this Policy, the provisions of such amendment, clarification, circular, notification, etc. shall prevail and this policy shall stand amended accordingly, without any further action, on and from the date on which such amendment, clarification, circular, notification comes in to effect.