

THE INDIAN CARD CLOTHING COMPANY LIMITED

(CIN : L29261PN1955PLC009579)

NOMINATION AND REMUNERATION POLICY

1) PREAMBLE

This Nomination and Remuneration Policy is being formulated in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 of the Listing Agreement, as amended from time to time. The Indian Card Clothing Company Limited (“ICC” or “the Company”) endeavors to attract, retain, motivate and develop personnel of high caliber and talent for the purpose of ensuring efficiency and high standard in the conduct of its affairs and achievement of its goals. In order 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 with the stock exchanges, this policy on Nomination & Remuneration of Directors, Key Managerial Personnel (KMP), Senior Management Personnel and other employees has been formulated by the Nomination and Remuneration Committee (“NRC”) and approved by the Board of Directors of the Company.

2) OBJECTIVE OF THE POLICY

The aims and objectives of this Policy can be summarized as follows:

- ❖ To lay down criteria and terms and conditions for 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 lay down the criteria for performance evaluation of the performance of Directors and to carry out their evaluation.
- ❖ To provide the Directors, KMPs and Senior Management Personnel reward linked directly to their efforts, performance, dedication and achievements relating to the Company’s operations.
- ❖ To retain, motivate and promote talent and to ensure long term sustainability of talented managerial personnel and to create competitive advantage.
- ❖ To ensure a transparent Board nomination process with the diversity of thoughts, experience, knowledge and perspective on the Board.

3) DEFINITIONS

- a) “Act” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- b) “Board” means Board of Directors of the Company.
- c) “Committee” means the Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

- d) "Directors" mean Directors of the Company.
- e) "Key Managerial Personnel", in relation to a company, 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;
- f) "Senior Management Personnel" means the personnel of the company who are members of its core management team excluding the Board of Directors. This normally comprises of all members of management and function heads one level below the Executive Directors.

4) BOARD DIVERSITY

The Company believes that the Board of Directors of the Company remain as a diverse body reflecting diversity regarding ethnic background, gender, country of citizenship and professional experience as such mix of viewpoints and ideas enhances Board's ability to function effectively. Different skills, qualification, professional experience, gender and industry knowledge of the members of the Board is necessary for achieving the sustainable and balance growth.

The Committee shall ensure that the potential nominees shall not be discriminated on the basis of race, religion, national origin, gender, disability, or any other basis prohibited by law.

The Board of directors of the Company shall have an optimum combination of executive and non-executive directors with at least one woman director on the Board and the composition of the Board shall be in accordance with requirements of the Articles of Association of the Company, the Companies Act, 2013, Listing Agreement and the statutory, regulatory and contractual obligations of the Company.

5) APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

a) Appointment criteria and qualifications:

- i) The Committee shall have due regard to the policy on Board Diversity as provided in Clause 4 of this Policy while considering potential nominees on the Board.
- ii) 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.
- iii) 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.

- iv) The Committee shall also ensure that the person possesses:
- High standards of integrity and professional conduct.
 - Demonstrated business acumen, experience and ability to use sound judgment.
 - Strong willingness contribute to the effective oversight of the business and financial affairs.
 - Right corporate tone and culture and ability to maintain good relationship between the Board and the Management.
 - Experience in strategic planning and managing multidisciplinary responsibilities.
 - A track record of communicating effectively in a global environment.
- v) 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.

- vi) The term “appointment” also includes re-appointment. However, in case of Independent Directors, the extension or continuation of the term of appointment shall be made on the basis of report of performance evaluation made by the Board.

b) Term/Tenure:

- i) 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.

- ii) 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, but such Independent Director shall be eligible for appointment after expiry of three years from the date of cessation of his office as 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. However, if a person who has

already served as an Independent Director for 5 years or more in the Company as on October 1, 2014 or such other date as may be determined by the Committee as per regulatory requirement; he/ she shall be eligible for appointment for one more term of 5 years only.

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

c) Evaluation:

In accordance with Section 178 (2) and clause 49 of the Listing Agreement, the Committee shall carry out Performance Evaluation of Directors. The criteria for evaluation of performance of every director shall be as follows:

- Number of Meetings of the Board and Committees attended by the Director.
- Contributions made by the Director at the Meetings of the Board and of the Committees.
- Performance Characteristics of the Director such as acting in good faith, exercising reasonable care, skill and diligence, Independent Judgment and avoiding conflict of interest situation.
- Relationship of the Director with the Management and other Stakeholders.
- In case of evaluation of a director who is a Managing Director/Executive Director, consideration should also be given to the factors like achievement of budget targets, efficacy in leading the Management Team, Cost reduction initiatives implemented and effectively ensuring Governance and Compliance requirements.
- In case of a director who is a Chairperson, consideration should be given to the factors like demonstration of effective leadership on the Board, role played as a direct link between the Board and the Management and effectiveness in conducting the meetings ensuring constructive discussions before deciding on any proposals.

d) Removal of Director:

Due to reasons for any disqualification mentioned in the Act or under any other applicable statute, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director subject to the provisions and compliance of the said Act, rules and regulations.

For KMPs or Senior Management Personnel the removal will be governed by Company's HR Policy and the subsequent approval of the Managing Director.

e) Retirement:

The Director, KMPs 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.

6) **REMUNERATION TO THE DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES**

a) **Guiding Principles:**

The Committee shall follow the guiding principles prescribed under Section 178 (4) of the Act as summarized below:

- i) 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;
- ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- iii) 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.

b) **Remuneration to Managing Director/ Whole-time Directors / Executive Directors**

The Committee shall take into consideration the following components while deciding the remuneration to Managing Director/ Whole-time Directors / Executive Directors:

- i) The remuneration of the Managing Director/Whole-time Directors/Executive Directors is in line with the Industry standards.

ii) **Fixed Pay:**

The Managing Director/Whole-time Director shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee in accordance with the statutory provisions of the Companies Act, 2013, and the rules made thereunder for the time being in force. The break-up of the pay scale and quantum of perquisites including, employer's contribution to Provident Fund, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and subsequently approved by the shareholders and Central Government, wherever required.

iii) **Minimum Remuneration:**

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

iv) **Provisions for excess remuneration:**

If any Managerial Person draws or receives, directly or indirectly by way of remuneration any such sum 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 sum 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.

v) Directors & Officers (D&O) Insurance:

The Company shall continue to have D&O liability insurance for indemnifying the Managing Director/Whole-time Directors/Executive Directors, KMPs and Senior Management personnel or any of them from any claims or liability which may arise from the decisions and actions taken within the scope of their regular duties. The premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel.

c) Remuneration to Non-executive/Independent Director:

i) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of Sitting Fees for attending meetings of Board or Committee as may be decided by the Board from time to time, subject to approval of the shareholders, if required.

Provided that the amount of such fees shall not exceed Rupees One Lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

ii) Profit linked Commission:

Remuneration /profit linked commission may be paid to the Non-executive/Independent Directors within the monetary limits approved by the shareholders which in any case shall not be more than the statutory limits provided in the Act. The limits provided under the act are as follows:

- 1) In case the Company has a Managing Director or Whole-time Director, such remuneration or profit linked commission shall not exceed 1% of the net profits of the Company computed as per the applicable provisions of the Companies Act, 2013 and
- 2) 3% of the net profits of the Company in any other case.

In determining the amount of such profit linked commission, the Remuneration Committee may consider various factors as it deems fit including but not limited to the number of board meetings and committee meetings attended by the director.

d) Remuneration to Directors in other Capacity:

The Remuneration payable to the Directors including Managing Director or Whole-time Director or Manager shall be inclusive of the remuneration payable for the services rendered by him in any other capacity except the following:

- i) The services rendered are of a professional nature.
- ii) In the opinion of the Committee, the director possesses the requisite qualification for practising the profession.

e) Remuneration to KMPs and Senior Management Personnel:

Among the KMPs, the remuneration of the CEO or the Managing Director and the Whole-time Director(s), shall be governed by Clause 5 (b) of this Policy dealing with Remuneration to Managing Director/ Whole-time Directors / Executive Directors.

For all other KMPs such as the Company Secretary or any other officer that may be prescribed under the statute from time to time and the Senior Management Personnel of the Company, the remuneration shall be determined by the Human Resources (HR) Department of the Company in consultation with the Managing Director and/ or the Whole-time Director.

The remuneration determined for all the above said senior personnel and KMPs shall be in line with the Company's philosophy to provide fair compensation to key - executive officers based on their performance and contribution to the Company and to provide incentives that attract and retain key executives, instill a long-term commitment to the Company, and develop a pride and sense of Company ownership, all in a manner consistent with shareholder interests.

The break-up of the pay scale and quantum of perquisites including, employer's contribution to provident fund, pension scheme, medical expenses, club fees etc. shall be decided by the Company's HR department.

Decisions on Annual Increments of the Senior Personnel shall be decided by the Human Resources Department in consultation with the Managing Director and/ or the Whole-time Director of the Company.

f) Remuneration to other employees:

Apart from the Directors, KMPs and Senior Management, the remuneration for rest of the employees is determined by the HR Department of the Company on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity and local market conditions.

The Company considers it essential to incentivize the workforce to ensure adequate and reasonable compensation to the staff. The HR Department shall ensure that the level of remuneration motivates and rewards high performers who perform according to set expectations for the individual in question.

The various remuneration components, basic salary, allowances, perquisites etc. may be combined to ensure an appropriate and balanced remuneration package.

The annual increments to the remuneration paid to the employees shall be determined based on the annual appraisal carried out by respective Heads of Departments (HODs).

Decision on Annual Increments shall be made on the basis of this annual appraisal.

7) AMENDMENTS TO THE POLICY

The Board of Directors on its own and / or as per the recommendations of Nomination and Remuneration Committee can amend this Policy, as and when deemed necessary.

In case it is observed that this Policy is not consistent with any subsequent amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities issued by the appropriate government authorities, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provisions hereunder and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), Clarification, circular(s) etc. The Committee shall, as soon as possible, amend this Policy to make it consistent with such amendment(s), clarification(s), circular(s) etc.

8) DISCLOSURE

This Policy and the evaluation criteria as applicable shall be disclosed in the Annual Report as part of Board's Report.
