

H.P. COTTON TEXTILE MILLS LIMITED

Nomination and Remuneration Policy

Approved by Board : 26.09.2014

Amended by Board : 12.08.2017

Amended by Board : 10.08.2022

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1. PREAMBLE

The Board of Directors (the "Board") on the recommendation of the Nomination & Remuneration Committee (the "Committee") has approved and adopted this Nomination and Remuneration Policy (the "Policy") of H.P. Cotton Textile Mills Limited (the "Company" or "HP Cotton") in compliance with the provisions of Section 178 of the Companies Act, 2013 and rules made thereunder.

2. OBJECTIVE

The main objective of this policy are:

- i. To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors and persons who may be appointed in Senior Management and Key Managerial positions.
- ii. To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency
- iii. To determine remuneration of Directors, KMPs and other senior management, keeping in view all relevant factors including industry trends and practices and such that it 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.
- iv. To formulate the criteria for determining qualifications, positive attributes and independence for appointment of a director (Whole-time/non-executive/independent) of the Company
- v. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance and achievement relating to the Company's operations.
- vi. To ensure that the remuneration is reasonable and sufficient to attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial personnel and create competitive advantage.
- vii. To lay down criteria for determining the Company's approach to ensure adequate diversity in its Board.

3. APPLICABILITY

The Policy is applicable to:

- a) Directors (including Independent Directors)
- b) Key Managerial Personnel
- c) Senior Management
- d) Other Employees

4. DEFINITIONS

"Act" means Companies Act, 2013 and rules thereunder.

"Board" means the Board of Directors of the Company.

"Committee" means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board of Directors of the Company as may be formed in accordance with the applicable provisions of the Companies Act, 2013.

"Company" means HP Cotton Textile Mills Limited.

"Independent Director" means a Director referred to in Section 149(6) of the Companies Act, 2013 and rules and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("Listing Regulations").

"Key Managerial Personnel" means Key managerial personnel as defined under the Companies Act, 2013 and includes:

- i. Managing Director or Chief Executive Officer or Manager;
- ii. Whole-time Director;
- iii. Company Secretary;
- iv. Chief Financial Officer;
- v. such other officer, not more than one level below the directors who is in whole-time employment, designated as key managerial personnel by the Board; and
- vi. such other officer as may be prescribed.

"Listing Regulations" means Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

"Policy" means Nomination and Remuneration Policy.

"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.

5. ROLE OF COMMITTEE

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

- a) to formulate a criterion for determining qualifications, positive attributes and independence of a director;
- b) to recommend to the Board a policy relating to Remuneration for Directors, Key Managerial Personnel and Senior Management
- c) For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and requisite experience and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board of Directors for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Nomination and Remuneration Committee may:
 - use the services of an external agencies, if required;
 - consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - consider the time commitments of the candidates.
- d) to formulate of criteria for evaluation of performance of independent directors and the Board of Directors;
- e) to devise a policy on Diversity of Board of Directors;
- f) to identify the persons qualified to be a Director or senior management as per the criteria laid down and recommend to the Board for appointment / removal based on his/ her performance.
- g) re-appointment of Independent Directors on the basis of performance evaluation of Independent Directors;
- h) recommend to the Board, all remuneration, in whatever form, payable to the Directors and senior management;
- i) to make 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;
- j) ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- k) to develop a succession plan/policy for the Board and to regularly review the plan/policy
- l) perform such other activities as may be delegated by the Board or specified/ provided under the Companies Act, 2013 to the extent notified and effective, as amended or by the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended or by any other applicable law or regulatory authority

6. MEMBERSHIP

- a) The Committee shall consist of minimum 3 Non-executive Directors out of which 2/3rd shall be independent directors.
- b) Quorum of the Committee shall be Two or 1/3rd members (Whichever is Higher) with at least 1 Independent Director
- 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.

7. CHAIRMAN

- a) Chairman of the Committee is an Independent Director.
- b) Chairman of the Company shall not act as the 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 may be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

8. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP, SENIOR MANAGEMENT AND OTHER EMPLOYEES

i. Appointment criteria and qualifications

a) Director, KMP or Senior Management

1. The Nomination & Remuneration 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.
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 qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. The Company shall not appoint or continue the employment of any person as Managing 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.

4. The Company shall not appoint a person or continue the Directorship of any person as a Non-Executive Director who has attained the age of 75 years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.
5. A director to be appointed, shall not hold office as a director, including any alternate directorship, in more than 20 companies at the same time. Provided that the maximum number of public companies in which a person can be appointed as a director shall not exceed 10.
6. Appointment and re-appointment, if any, of Executive Directors/ Whole Time Directors including remuneration and other terms and conditions thereof shall be in accordance with the provisions of Section 196, 197 of the Companies Act, 2013 read with Schedule V appended thereto and SEBI Listing Regulations. The Committee will recommend the appointment or reappointment, if any, of any of the Executive/ Whole time Directors to the Board and same will be approved by the shareholders by passing necessary resolution(s)

b) Other Employees

Qualification, expertise, experience and attributes will be determined by the Management as per the HR Policy of the Company

ii. Term/ Tenure

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any Director 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.

b) Independent Director:

An Independent Director shall hold office for a term up to five consecutive years on the Board of the Company. The Committee may extend or continue the term of appointment on the basis of the report of performance evaluation of such Independent Director with requisite approval of the shareholders under the Act 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 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 person serves is restricted to seven listed companies as an Independent Director; and in case such person is serving as a Whole-time Director in any listed Company the number of boards on which such person serves as Independent Director is restricted to three listed companies.

c) KMP's /Senior Management/Employee:

Term of appointment will be governed through a letter of appointment issued to the respective KMP / Senior Management/ Employee.

iii. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly) in accordance with the Performance Evaluation Policy of the Company.

iv. Removal

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

In case of other employees, the Management of the Company may terminate the services of such employee as per HR Policy of the Company.

v. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provision of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director.

9. POLICY RELATING TO THE REMUNERATION FOR THE DIRECTORS, KMP, SENIOR MANAGEMENT AND OTHER EMPLOYEES

A. Director's, KMP and Senior Management

i. General:

- a) The remuneration / compensation / commission etc. to Directors, 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 the provisions of the Act / the Listing Regulations.
- b) The remuneration and commission to be paid to the Directors shall be in accordance with the percentage/ slabs / conditions laid down in the provisions of the Act / the Listing Regulations.
- c) Term / Tenure of the Directors shall be as per Company's policy and subject to the provisions of the Act / the Listing Regulations.

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

a) Fixed Pay:

The Whole-time Director/ KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board/the Person authorized by the Board and approved by the shareholders of the Company.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director/Joint Managing Director/Whole-time Director in accordance with the provisions of the Act.

c) Provisions for excess remuneration:

If any Managing Director/Joint Managing Director/Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed in the Act and/or not in compliance of the applicable provisions of the Act, he/she shall refund such sums 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 under the Act.

d) ESOPs:

The MD/CEO/WTD of the Company may be granted the ESOPs of the Company/holding Company/group companies in accordance with the ESOP plans framed/to be framed in accordance with the applicable laws.

iii. Remuneration to Non-Executive / Independent Director:

a) Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Act / the Listing Regulations.

b) Sitting Fees:

The Non- Executive/ Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall be decided by the Board and subject to the limit as provided in the Act.

c) Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1 % of the profits of the Company computed as per the applicable provisions of the Act.

d) ESOPs

The Non-executive Directors (other than the Independent Directors) of the Company may be granted the ESOPs of the Company/holding Company/group companies in accordance with the ESOP plans framed/to be framed in accordance with the applicable laws. The grant of ESOPs shall be subject to receipt of necessary approvals, if any.

B. Other Employees

Remuneration for the new employees other than KMPs and Senior Management will be decided by the Management as per the HR Policy of the Company at the time of hiring, depending upon the relevant job experience, last compensation and the skill-set of the selected candidate.

The Company may also grant ESOP's to the Employees in accordance with the ESOP Scheme, if any, of the Company and subject to the compliance of the applicable statutes and regulations.

10. REVIEW AND AMENDMENT

This policy may be reviewed/amended by the Nomination and Remuneration Committee with the approval of the Board, as and when deemed appropriate.

This Policy is amended by the Board of Directors at their meeting held on August 10, 2022 and shall be effective from August 10, 2022.
