

J. K. COTTON Ltd.

NOMINATION AND REMUNERATION POLICY

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, 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 Nomination and Remuneration Committee (“NRC or the Committee”) and has been approved by the Board of Directors.

I. DEFINITIONS:

- (i) **“Remuneration”** means any money or its equivalent given or passed to any person for services rendered by him and includes perquisites as defined under the Income-Tax Act, 1961;
- (ii) **“Key Managerial Personnel”** hereinafter referred as ‘KMP’ means:
- i) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole- time Director;
 - ii) Chief Financial Officer;
 - iii) Company Secretary; and
 - iv) such other officer as may be prescribed.
- (iii) **“Senior Managerial Personnel”** mean the personnel of the Company who are members of its core management team excluding Board of Directors. Normally, this would comprise all members of management, of rank equivalent to General Manager and above, including all functional heads.

II. OBJECTIVE:

The objective of the policy is to ensure that:

- 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;
- relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- 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.

III. ROLE OF THE COMMITTEE:

The role of the NRC will be the following:

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

- To formulate criteria for evaluation of Independent Directors and the Board.
- To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in this policy.
- To carry out evaluation of Director's performance.
- To recommend to the Board the appointment and removal of Directors and Senior Management
- To recommend to the Board policy relating to remuneration for Directors, Key Managerial Personnel and Senior Management.
- To devise a policy on Board diversity, composition, size.
- Succession planning for replacing Key Executives and overseeing.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment or modification, as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

IV. APPOINTMENT AND REMOVAL OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT

- 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 his / her appointment, as per Company's Policy.
- b) A person should possess adequate qualification, expertise and experience for the position he /she is considered for appointment. The Committee has authority to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the 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.

V. TERM / TENURE

a) Managing Director/Whole-time Director:

The Company shall appoint or re-appoint any person as its 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 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.

VI. EVALUATION

The Committee shall carry out evaluation of performance of Director, KMP and Senior Management Personnel yearly or at such intervals as may be considered necessary. The Performance Evaluation Policy is being attached herewith and marked as ANNEXURE- ONE.

VII. REMOVAL

The Committee may recommend with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules and regulations and the policy of the Company.

VIII. 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.

IX. POLICY FOR REMUNERATION TO DIRECTORS/KMP/SENIOR MANAGEMENT PERSONNEL

Amount of remuneration shall based on the principles of:

- i. Pay for responsibility
- ii. Pay for potential and
- iii. Pay for growth

1) Remuneration to Managing Director / Whole-time Directors:

- a) The Remuneration/ Commission etc. to be paid to Managing Director / Whole-time Directors, 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 and the approvals obtained from the Members of the Company.

- b) The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Managing Director / Whole-time Directors.

2) Remuneration to Non- Executive / Independent Directors:

- a) Appointment of Non-Executive Directors on the Board is for the benefit of the Company due to their vast professional expertise in the professional capacity.
- b) The Non-Executive / Independent Directors may receive sitting fees only. The amount of sitting fees shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- c) All the remuneration of the Non- Executive / Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197 (5) of the Companies Act, 2013) 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. The amount of such remuneration shall be such as may be recommended by the Nomination and Remuneration Committee and approved by the Board of Directors or shareholders, as the case may be.
- d) An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share based payment schemes of the Company.
- e) Any remuneration paid to Non- Executive / Independent Directors for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes of clause (b) above if the following conditions are satisfied:
 - i) The Services are rendered by such Director in his capacity as the professional; and
 - ii) In the opinion of the Committee, the Director possesses the requisite qualification for the practice of that profession.

3) Remuneration to Key Managerial Personnel and Senior Management:

- a) The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's Policy.
- b) The Fixed pay shall include *interalia* monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc. as decided from to time.

X. IMPLEMENTATION

- The Committee may issue guidelines, procedures, formats, reporting mechanism and manuals in supplement and for better implementation of this policy as considered appropriate.
- The Committee may delegate any of its powers to one or more of its members and/or Officials of the Company.

XI. DEVIATIONS FROM THIS POLICY

Deviations on elements of this policy in extraordinary circumstances, when deemed necessary in the interests of the Company, will be made if there are specific reasons to do so and the Board shall have such authority to approve such deviations.

XII. 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 fit. In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities, not being consistent with the provisions laid down under this Policy, 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(s), circular(s) etc.

Date: 26.05.2015

Place: Kanpur

Sd/-
Chairman

ANNEXURE – ONE

POLICY ON EVALUATION OF PERFORMANCE OF DIRECTORS AND THE BOARD

This Policy aims to:

- (i) Ensure compliance of the applicable provisions of the Companies Act, 2013 (“the Act”) (as amended or re-enacted from time to time) relating to the evaluation of performance of the Directors and the Board
- (ii) Adopt best practices to manage the affairs of the Company in seamless manner.
- (iii) Achieve good corporate governance as well as sustained long-term value creation for stakeholders.

I. DEFINITIONS

- (i) **“The Act”**:
The Act shall mean The Companies Act, 2013;
- (ii) **“The Company”**:
The Company shall mean “J. K. Cotton Limited”.
- (iii) **“The Director” or “The Board”**:
The Director or The Board, in relation to the Company, shall mean and deemed to include the collective body of the Board of Directors of the Company including the Chairman of the Company.
- (iv) **“The Independent Director”**:
The Independent Director shall mean an Independent Director as defined under Section 2 (47) to be read with section 149 (5) of the Act.
- (v) **“The Policy” or “This Policy”**:
The policy or This Policy shall mean the Policy for Evaluation of performance of Board of Directors of the Company.
- (vi) **“The Committee” or “This Committee”**:
The Committee or This Committee shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of Companies Act, 2013.

II. EVALUATION FACTORS

The Nomination and Remuneration Committee (“NRC”) shall carry out the evaluation of performance of every Director. The evaluation of performance of the Independent Directors (IDs) shall also be carried out by the entire Board of Directors excluding the Director being evaluated in the same way as it is for the Executive Directors of the Company except the Director getting evaluated. Evaluation performance should be carried out at least once in a year.

While evaluating the performance of the Non-Executive Directors ('NED's), the following parameters shall be considered:

- (i) Attendance at meetings of the Board and Committees thereof,
- (ii) Participation in Board Meetings or Committee thereof,
- (iii) Contribution to strategic decision making,
- (iv) Review of risk assessment and risk mitigation,
- (v) Review of financial statements, business performance.
- (vi) Contribution to the enhancement of brand image of the Company.

While evaluating the performance of the Chairman and Managing Director, the Nomination and Remuneration Committee shall always consider the appropriate benchmarks set as per industry standards, the performance of the individual and also of the Company.

Evaluation of performance shall be carried out at least once a year.

The Company shall provide suitable training to the Non-Executive Directors including Independent Directors. Any other need based training shall also be provided.

The Board of Directors shall pay regards to the following parameters for the purpose of evaluating the performance of a particular Director.

In respect of each of the evaluation factors, various aspects have been provided to assist with the evaluation process in respect of performance of Board itself, and of its committees and individual Directors as, such evaluation factors may vary in accordance with their respective functions and duties.

Appraisal of each Director of the Company shall be based on the criteria as mentioned herein below.

Rating Scale

| PERFORMANCE | RATING |
|--------------------|---------------|
| Excellent | 5 |
| Good | 4 |
| Satisfactory | 3 |
| Need Improvement | 2 |
| Unacceptable | 1 |

III. EVALUATION PROCESS

The Company has chosen to adopt the Performance Evaluation Process as prescribed hereunder:

(i) **PERFORMANCE EVALUATION PROCESS FOR INDEPENDENT DIRECTORS**

Some of the specific issues and questions that should be considered in a performance evaluation of **Independent Director**, in which the concerned Director being evaluated shall not be included, are set out below:

Name of Director being assessed: _____

| S.No. | Assessment Criteria | Rating | Remarks/Comments |
|-------|---|--------|------------------|
| 1. | Attendance and participation in the meetings | | |
| 2. | Raising of Concerns to the Board | | |
| 3. | Safeguard of Confidential information | | |
| 4. | Rendering independent, unbiased opinion and resolution of issues at meetings | | |
| 5. | Initiative in terms of new ideas and planning for the Company | | |
| 6. | Safeguarding interest of whistle-blowers under vigil mechanism | | |
| 7. | Timely inputs on the minutes of the meetings of the Board and Committee's, if any | | |

(ii) **PERFORMANCE EVALUATION PROCESS FOR NON – INDEPENDENT DIRECTORS / EXECUTIVE DIRECTORS**

Some of the specific issues and questions that should be considered in a performance evaluation of **Chairman and Managing Director/Non-Independent Director/Executive Director** by Independent Directors, in which the concerned director being evaluated shall not be included, are set out below:

Name of Director being assessed: _____

| S.No. | Assessment Criteria | Rating | Remarks/Comments |
|-------|---|--------|------------------|
| 1. | Leadership initiative | | |
| 2. | Initiative in terms of new ideas and planning for the Company | | |
| 3. | Professional skills, problem solving, and decision-making | | |
| 4. | Compliance with policies of the Company, ethics, code of conduct, etc. | | |
| 5. | Reporting of frauds, violation etc. | | |
| 6. | Safeguarding of interest of whistle blowers under vigil mechanism | | |
| 7. | Timely inputs on the minutes of the meetings of the Board and Committee, if any | | |

(iii) **PERFORMANCE EVALUATION PROCESS FOR BOARD OF DIRECTORS**

Some of the specific issues and questions that should be considered in a performance evaluation of **the entire Board** by Independent Directors, are set out below:

| S.No., | Assessment Criteria | Rating | Remarks/Comments |
|--------|---|--------|------------------|
| 1. | The Board of Directors of the Company is effective in decision making. | | |
| 2. | The Board of Directors is effective in developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities. | | |
| 3. | The Company's systems of control are effective for identifying material risks and reporting material violations of policies and law. | | |
| 4. | The Board reviews the organization's performance in carrying out the stated mission on a regular basis. | | |
| 5. | The Board of Directors is effective in providing necessary advice and suggestions to the Company's management. | | |
| 6. | Is the Board as a whole up to date with latest developments in the regulatory environment and the market? | | |
| 7. | The information provided to Directors prior to Board Meetings meets your expectations in terms of length and level of detail. | | |
| 8. | Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues. | | |
| 9. | The Board Chairman effectively and appropriately leads and facilitates the Board meetings and the policy and governance work of the Board. | | |
| 10. | The Board appropriately considers internal audit reports, management's responses, and steps towards improvement. | | |
| 11. | The Board oversees the role of the Independent Auditor from selection to termination and has an effective process to evaluate the Independent Auditor's qualifications and performance. | | |
| 12. | The Board considers the Independent Audit plan and provides recommendations. | | |

(iv) **PERFORMANCE EVALUATION PROCESS FOR COMMITTEES OF BOARD**

The Board has constituted the following committees:

1. Audit Committee;
2. Nomination and Remuneration Committee; and
3. Stakeholders Relationship Committee

For evaluating the performance of each **Committee**, the Board of Directors shall pay regards to the following aspects as set out in the annexure below:

a. Audit Committee

| S.No. | Audit Committee (for Audit Committee members only) | Rating | Remarks/Comments |
|-------|---|--------|------------------|
| 1. | Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues | | |
| 2. | Timely inputs on the Minutes of the Meetings | | |

b. Nomination and Remuneration Committee

| S.No. | Nomination and Remuneration Committee (For Nomination and Remuneration Committee members only) | Rating | Remarks/Comments |
|-------|---|--------|------------------|
| 1. | Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues | | |
| 2. | Timely inputs on the Minutes of the Meetings | | |

c. Stakeholders Relationship Committee

| S.No. | Stakeholders Relationship Committee (For Stakeholders Relationship Committee members only) | Rating | Remarks/Comments |
|-------|---|--------|------------------|
| 1. | Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues | | |
| 2. | Timely inputs on the Minutes of the Meetings | | |

IV. REVIEW

The Nomination and Remuneration Committee may amend the Policy, if required, to ascertain its appropriateness as per the needs of the Company. The Policy may be amended by passing a resolution in a meeting of the Committee.

V. DISCLOSURE

In accordance with the requirement under the Companies Act, 2013, Rules framed thereunder, disclosures will be made in the Board Report regarding the manner in which the performance evaluation has been done by the Board of Directors of its own performance, performance of various Committees of Directors and Individual Directors. The Company shall disclose the evaluation criteria in its Annual Report. The Policy will be available in the public domain i.e. on the website of the Company.