



# KANDAGIRI SPINNING MILLS LIMITED

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## **NOMINATION AND REMUNERATION POLICY**

### **PREAMBLE**

This Policy has been formulated in compliance with Section 178 (3) of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 of the SEBI Equity Listing Agreement.

### **OBJECTIVE**

The objective of this Policy is to provide a framework and set standards for the nomination and remuneration of the Directors, Key Managerial Personnel and officials comprising the senior management. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, Key Managerial Personnel and Senior Management.

### **DEFINITIONS**

For the purposes of this policy references to the following shall be construed as

“**Applicable Law**” shall mean the Companies Act, 2013 and the rules framed thereunder, the listing agreement and include any other statute, law, standards, regulations or other governmental instruction as may be applicable to the Company from time to time.

“**Board**” means Board of Directors of the Company.

“**Committee**” means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board from time to time.

“**Company**” refers to Kandagiri Spinning Mills Limited.

“**Independent Director**” shall have the meaning as defined under the Companies Act, 2013 read with relevant rules and the Clause 49 of the Listing agreement; as amended from time to time.

“**Key Management Personnel**” means Chairman and Managing Director, Company Secretary, Whole Time Director, Chief Financial Officer and such other Officer as may be prescribed under Applicable law.

“**Policy**” means the contents herein including any amendments made by the Board of Directors of the Company.

“**Senior Management Personnel**” means Personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive Directors including the Functional heads.

All terms not defined herein shall take their meaning from the Applicable Law.

### **EFFECTIVE DATE**

This Policy shall become effective from the date of its adoption by the Board.

## **SCOPE**

This Policy applies to

- (i) Directors (Executive, Non-Executive & Independent)
- (ii) Key Managerial Personnel
- (iii) Senior Management Personnel

## **CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE:**

The Board has the power to constitute/ reconstitute the Committee from time to time in order to make it consistent with the Company's policy and applicable statutory requirement. At present, the Nomination and Remuneration Committee comprises of the following Directors:

- (i) Sri P. S. Anathanarayanan – Chairman (Independent Director)
- (ii) Dr V. Gopalan – Member (Independent Director)
- (iii) Sri N. Asoka – Member (Independent Director)

## **ROLE OF THE COMMITTEE**

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

- To formulate a criteria for determining qualifications, positive attributes and independence of a Director.
- Formulate criteria for evaluation of Independent Directors and the Board.
- 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 every 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.
- Ensure that level and composition of remuneration is reasonable and sufficient, relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- To devise a policy on Board diversity.
- 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 develop a succession plan for the Board and to regularly review the plan.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

**NOMINATION AND REMOVAL CRITERIA**

- ***Appointment Criteria & Qualifications***

1. 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.
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 are sufficient / satisfactory for the concerned.
3. The Company shall not appoint or continue the employment of any person as Managing Director/Whole-time Director/Manager 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. **Managing Director/Whole-time Director/Manager (Managerial Person):**

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

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 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 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. However, if a person who has already served as an Independent Director for 5 years or more in the Company as on 1 October, 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 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.

- **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 or any other reasonable ground, the Committee may recommend to the Board for removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

- **RETIREMENT:**

The Director, KMP and Senior Management 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, KMP, Senior Management in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

### **REMUNERATION:**

The Committee will recommend the remuneration to be paid to the Managing Director, Whole-time Director, KMP and Senior Management Personnel to the Board for their approval. The level and composition of remuneration so determined by the Committee shall be reasonable and sufficient to attract, retain and motivate directors, Key Managerial Personnel and Senior Management of the quality required to run the company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

- **For Executive Directors (Managing Directors and Whole time Directors)**

- Section 197(1) of the Companies Act, 2013 provides for the total managerial remuneration payable by the Company to its directors, including managing director and whole time director, and its manager in respect of any financial year shall not exceed eleven percent of the net profits of the Company computed in the manner laid down in Section 198 in the manner as prescribed under the Act.

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- The Company with the approval of the Shareholders and Central Government may authorise the payment of remuneration exceeding eleven percent of the net profits of the company, subject to the provisions of Schedule V.
- The Company may with the approval of the shareholders authorise the payment of remuneration upto five percent of the net profits of the Company to its anyone Managing Director/Whole Time Director/Manager and ten percent in case of more than one such officer
- **For Non-Executive / Independent Directors**
  - Remuneration by way of Sitting fee may be paid to Non-Executive/ Independent Directors for attending meetings of the Board of Directors and Committee meetings in which he/she is a member (excluding those committee meetings for which no sitting fees is paid) as may be decided by the Board from time to time and for any other purpose as may be decided by the Board from time to time in accordance with the ceiling limits prescribed under the Applicable Law.
  - The Independent Directors shall not be entitled to any stock option.
  - The sitting fee to the Independent Directors & Woman Director shall not be less than the sitting fee payable to other directors.
- **For Key Managerial Personnel and Senior Management Personnel**
  - The remuneration payable to the Key Managerial Personnel and the Senior Management shall be as per the criteria decided by the Committee having regard to their experience, leadership abilities, initiative taking abilities and knowledge base and governed by the limits, if any prescribed under the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force.
- **For other employees**
  - The policy for determination of the remuneration of employees other than Directors, KMPs and Senior Management personnel shall be as per the normal process followed by the Company.
- ***Directors and Officers' Insurance:***  
Where any insurance is taken by the Company on behalf of its Directors, KMPs/ Senior Management Personnel etc. 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.

**BOARD DIVERSITY**

The Committee will assist the Board in ensuring Board Nomination process with the diversity of gender, thought, experience, knowledge and perspective in the Board in accordance with the Board Diversity policy.

**EVALUATION**

The Committee shall carry out the evaluation of the performance of every director and the Board in accordance with the performance evaluation policy.

**SUCCESSION PLANNING**

The Company recognizes the need of a formal, proactive process which can assist in building a leadership pipeline/talent pool to ensure continuity of leadership for all critical positions. Succession planning involves assessment of challenges and opportunities facing the company, and an evaluation of skills and expertise that would be required in future. The nomination and remuneration committee will work with the Board to develop plans and processes for orderly succession to the board and senior management. The Committee shall endeavor to develop a diverse pool of candidates who may be considered to fill the gap in Board positions or senior management in case of any eventuality. The committee would ensure that the Company is prepared for changes in senior management, either planned or unplanned. Succession Planning Process would cover identification of internal candidates, development plans for internal candidates, and identification of external candidates. The Committee would also assist in formulating an emergency succession contingency plan for unforeseen events like death, disability etc. The Board will periodically monitor and review the succession planning process.

**DISCLOSURE OF THE POLICY**

This Nomination & Remuneration policy shall be disclosed in the Board's report as required under the Companies Act, 2013 and in the Listing Agreement.

**REVIEW OF THE POLICY**

This Policy shall be reviewed by the Nomination and Remuneration Committee and any changes or amendments made to the policy by the Committee due to changes in the applicable law or any other reasons felt appropriate by the Committee would be placed before the Board for approval.

**Date : 28<sup>th</sup> May, 2015**  
**Place : Salem**

**By order of the Board**  
**Kandagiri Spinning Mills Limited**

