

Nomination and Remuneration Committee Report to the Shareholders For the year ended 30th June 2019

This Nomination and Remuneration Policy has been formulated in compliance with Notification No. BSEC/CMRR D/ 2006-158/ 207/Admin /80, Date: June 03, 2018 on Corporate Governance Code of Bangladesh Securities & Exchange Commission (BSEC). This policy on nomination and remuneration of Directors and top level executives of the company has been formulated by the Nomination and Remuneration Committee (NRC) and has been approved by the Board of Directors. This is a sub-committee of the Board.

Terms of Reference

The terms of reference of the Nomination and Remuneration Committee (NRC) have been determined by the Board as per BSEC notification. The NRC assist the Board in formulation of the nomination criteria or policy for determining qualifications, positive attributes, experiences and independence of directors and top level executive as well as policy for formal process of considering remuneration of director, top level executive.

Compositing and Meeting

The NRC of H. R. Textile Mills Limited consists of 01 (One) Independent Director and 02 (two) Directors. All members possess adequate qualification as determined in the Corporate Governance Code promulgated by the Bangladesh Securities and Exchange Commission (BSEC). The Committee Includes:

Names	Designation	Position
Mr. Mohammad Kabiruzzaman	Independent Director	Chairman
Professor (Dr.) Muhammad Abdul Moyeen	Director	Member
Professor Mohammad Abdul Momen	Director	Member

As per regulatory guidelines, the company secretary Mr. Md. Wali Ullah acts as secretary to the committee. The NRC performs in coherence and ensures compliance with the Corporate Governance Guidelines promulgated by the BSEC.

The committee was formed in November 2018 and 01 (one) meetings was held during 2018-19.

Role of the NRC

- a) NRC Shall be independent and responsible or accountable to the Board and to the shareholders;
- b) To oversee, among others, the following matters and make report with recommendation to the Board:
 - i) formulation the criteria for determining qualification, positive attributes and independence of a director and recommend a policy to the Board, relating to the remuneration of the directors, top level executive, considering the following:
 - a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate suitable directors to run the company successfully;
 - b) the relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - c) remuneration to directors, top level executive 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;
 - ii) devising a policy on Board's diversity taking into consideration age, gender, experience, ethnicity, educational background;
 - iii) identifying persons who are qualified to become directors and who may be appointed in top level executive position in accordance with the criteria laid down, and recommend their appointment and removal to the Board;
 - iv) formulating the criteria for evaluation of performance of independent director (s) and the Board
 - v) identifying the company's needs for employees at different levels and determine their selection, transfer or replacement and promotion criteria; and
 - vi) developing, recommending and reviewing annually the company's human resources and training policies;

Meeting of NRC

The Committee formally met for the first time in November 2018 after constitution of the NRC ensured/observed the following activities:

1. Reviewed the set up the organization structure where reporting line is clearly defined for the directors and top management team along with standard manpower planning exercise for each and every position for identifying the total requirement.
2. Reviewed the set up standard pay structure for each job level based on education, experience and competency.

Annexure - 3 (Contd . . .)

3. Reviewed that a target based on-line performance Management System to evaluate performance of employees is there. This KPI based PMS leads to Yearly Increment, Promotion of individual.
4. Reviewed the Employee Benefit policy to attract the job seekers and retain internal talents. Succession planning of the company to have our future leaders ready according to the requirements. Ensuring extensive training and development plan for the individual or group of people.
5. Reviewed that a transparent recruitment and selection policy is in existence where competent candidates get hired.
6. Reviewed that practicing a clear career path system for employees which reflect in organization structure.

Objective and Policy of the NRC

The BSEC identified the objectives of NRC as follows:

- a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors/top management team required to run the company successfully;
- b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) remuneration to directors, top level executives reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

On Appointment and Removal of Director, Top Level Executives and Senior Management, the BSEC provided that

- a) The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, top level executives 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.

On Evaluation, the NRC policy suggest that NRC shall carry out evaluation of performance of Director and top level executives yearly or at such intervals as may be considered necessary.

On removal, the NRC policy suggests that the MD or CEO, CS, CFO and HIAC shall not be removed from their position without approval of the Board as well as immediate dissemination to the Commission and Stock Exchange(s).

On retirement the NRC policy suggests that the Director or top level executives shall retire as per policy of the Company. The Board will have the discretion to retain the Director of any top level executive even after attaining the retirement age, for the benefit of the Company.

Policy for Remuneration to Directors/Top Level Executives:

- a) The Remuneration to be paid to Managing Director / Other directors as approved by the NRC Committee.
- 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 and other Directors.
- c) The Non-Executive / Independent Director may receive meeting fees and such other remuneration as recommended by the Nomination and Remuneration Committee and approved by the Board of Directors.
- d) The remuneration to top level executives shall be fixed consideration their performances and in accordance with the Company's Policy.

Nomination and Remuneration Committee expressed their sincere thanks to the members of the Board of Directors, management of the Company for their outstanding support and Co-operation.

On behalf of the NRC



Mohammad/Kabiruzzaman
Chairman of the NRC
Dated: October 23, 2019