

Policy and functions of Nomination and Remuneration Committee (NRC) of H.R Textile Mills Limited

1. Introduction

This policy on Nomination and Remuneration of Directors, Key Managerial Personnel, Senior Management and other Employees has been formulated by the Committee pursuant to the Corporate Governance Code 2018 of BSEC.

2. Objective

Company believes that the Board should be able to effectively develop a long term vision for the Company, provide guidance in implementing its policies and managing operations efficiently and ensuring the compliance of all prevailing laws. Further, the Board should ensure that the NRC members have diversified experience so that the Committee can discharge its duties and responsibilities effectively.

3. Constitution of the Committee

The Committee shall consist of a minimum of three (3) non-executive directors, majority of whom shall be independent. Membership of the Committee shall be disclosed in the Annual Report. The Committee shall function till their term is terminated by the Board of Directors.

4. Effective Date

This Nomination and Remuneration Policy, formulated by the NRC has been approved and adopted by the Board of Directors. This Committee is effective from date of its approval by the Company Board on 14th November 2018.

5. Policy for selection of Directors

In evaluating the suitability of individual Board members, the Nomination and Remuneration Committee (NRC) shall take into account following factors:

- ❖ Educational and professional background of Directors
- ❖ General understanding of the Company's business process
- ❖ Standing in the profession
- ❖ Should possess the personal and professional ethics, integrity and values
- ❖ Should be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively.

6. Independence of Directors

The Nomination and Remuneration Committee (NRC) shall assess the independence of Directors at the time of appointment / re-appointment. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director.

7. Remuneration Policy

H.R. Textile Mills Limited has developed its remuneration policy for the Directors, key managerial personnel and other employees on the following principles:-

1. The remuneration should be at a level where it is possible to attract, retain and motivate all personnel.
2. The remuneration consists of both fixed and variable pay which is linked to the business objectives of the Company.
3. Ensuring that the relationship between remuneration and performance is clear and measurable to the extent possible.

8. a) Remuneration of Non-Executive Directors

The remuneration of Non-Executive Directors will be paid only in the form of meeting fees. The Nomination and Remuneration Committee would recommend the meeting fees to be paid for both the Board and Committee members thereof after considering the provisions of the Companies Act, 1994 and prevailing corporate practices.

b) Remuneration to Key Managerial Personnel

The Board, on the recommendation of the Nomination and Remuneration Committee, would review and approve the remuneration payable to the key managerial personnel.

c) Remuneration to other employees

All the employees should be assigned the designation according to their qualifications, experience, competencies, role and responsibility in the company. Individual remuneration shall be determined as per designation based on annual performance report and various factors such as job profile, employment record in the company, previous working experience, educational/professional qualification, rating standards, job related performance, technical skills, quality of work, interpersonal skill, communication skill, approach to work, leadership skill and prevailing remuneration levels for equivalent jobs. Employee's performance shall be appraised annually according to their performance. The departmental heads should recommend the increment which NRC would recommend for approval by the Board.

9. Chairman of the Committee

Chairman of the NRC shall be an Independent Director. Chairman of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee. In the absence of the Chairman, the members of the committee present at the meeting shall choose one amongst them to act as Chairman in the meeting. Chairman of the Committee should be present the Annual General Meeting or may nominate some other member of the Committee to answer the shareholders' queries.

10. Frequency of Meeting

The meeting of the NRC shall be held at least once in a year or more as required from time to time.

11. Committee Members' Interests

A member of the committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated. The committee may invite other executive, as it considers appropriate, to be present at the meetings of the Committee.

12. Secretarial Function

The Company Secretary shall act as Secretary of the Committee.

13. Voting

Matters arising for determination at Committee meetings shall be decided by a majority of votes of members present and any such decision shall for all purposes be deemed a decision of the Committee. In case of equality of votes, the Chairman of the meeting will have a casting vote.

14. Duties Related to Nomination

The duties of the Committee in relation to nomination matters may be:

- a. Ensure that there is an appropriate induction in place for new Directors and members of Senior Management and reviewing its effectiveness;
- b. Ensure that on appointment to the Board, Non-Executive Directors shall receive a formal letter of appointment in accordance with the Guidelines provided under the Act;
- c. Identify and recommend Directors who are to be put forward for retirement by rotation;
- d. Determine the appropriate size, diversity and composition of the Board;
- e. Set a formal and transparent procedure for selecting new Directors for appointment to the Board;
- f. Develop a succession plan for the Board and Senior Management and regularly reviewing the plan;
- g. Review the performance of the Board members and Senior Management in the context of the Company's performance from business and compliance perspective;
- h. 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;
- i. Delegate any of its powers to one or more of its members or the Secretary of the Committee;
- j. Recommend any necessary changes to the Board and
- k. Consider any other matters, as may be requested by the Board.

15. Duties Related to Remuneration

The duties of the Committee in relation to remuneration matters include:

- a. To consider and review the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract, retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- b. To approve the remuneration of the senior management including key managerial personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- c. To delegate any of its powers to one or more of its members or the Secretary of the Committee.
- d. To consider any other matters as may be requested by the Board.

16. Minutes of Committee Meeting

Proceedings of all meetings must be minutes and signed by the Chairman of the Committee at the subsequent meeting. The minutes should be circulated to the Board of Directors.