

THE RUBY MILLS LIMITED
-Nomination cum Remuneration Policy-

I. Introduction:

This Nomination cum Remuneration Policy (“**Policy**”) has been formulated and recommended by the Nomination and Remuneration Committee (“**Committee**”) in their meeting held on 14th November, 2014, pursuant to section 178 of the Companies Act, 2013 and the rules made thereunder (collectively, the “**Act**”).

The Policy will be adopted by the board of directors of Company Limited (“**Company**”) in their meeting held on 14th November, 2014.

II. Objective

This Policy lays down the guidelines to be followed in relation to:

- (A) appointment of the directors, and key managerial personnel of the Company; and
- (B) fixation of the remuneration of the directors, key managerial personnel and other employees of the Company.

The objective of this Policy is to inter-alia:

- (a) attract, recruit, and retain good and exceptional talent;
- (b) list down the criteria for determining the qualifications, positive attributes, and independence of the directors of the Company;
- (c) ensure that the remuneration of the directors, key managerial personnel and other employees is performance driven, motivates them, recognises their merits and achievements and promotes excellence in their performance;
- (d) motivate such personnel to align their individual interests with the interests of the Company, and further the interests of its stakeholders;
- (e) ensure a transparent nomination process for directors with the diversity of thought, experience, knowledge, perspective and gender in the Board; and
- (f) fulfill the Company's objectives and goals, including in relation to good corporate governance, transparency, and sustained long-term value creation for its stakeholders.

III. Nomination and Appointment:

A. Key Managerial Personnel:

As per section 203 of the Act and rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company is required to appoint the following whole time key managerial personnel:

- (a) Managing Director, or Chief Executive Officer or Manager and in their absence, a Whole-time Director;
- (b) Company Secretary; and
- (c) Chief Financial Officer.

A 'Chief Financial Officer' would mean a person appointed as the chief financial officer of a company.

A 'Company Secretary' would mean a company secretary as defined in clause (c) of sub-section (1) of section 2 of the Company Secretaries Act, 1980, and who is appointed by a company to perform the functions of a company secretary under the Act.

1. The Company currently has appointed a Key Managerial Personal/Executive Director in accordance with the applicable laws. If in future, the Committee deems fit to appoint a Key Managerial Personnel for the Company, then this Policy will take in to consider and be suitably amended to provide for the appointment and remuneration of such personnel.
2. Process to be adopted for the nomination and appointment of a Managing Director/ Whole Time Director/ Manager/Executive Director:
 - (a) The Committee will identify and recommend to the board of directors of the Company ("**Board**"), person(s) who is qualified and eligible for appointment as a Managing Director/ Whole Time Director/ Manager/Executive Director of the Company, provided such person(s) meets the criteria set out under this Policy.
 - (b) The appointment of a Managing Director/ Whole Time Director/ Manager/Executive Director will be subject to execution of formal agreement between the Company and the Managing Director/ Whole Time Director/ Manager/Executive Director.
 - (c) The person(s) so identified and recommended by the Committee to the Board, for appointment of Managing Director/ Whole Time Director/ Manager/Executive Director and the agreement setting out the terms and conditions of his/her appointment and remuneration, will be subject to approval of the Board, and of the shareholders at the next general meeting of the Company, whenever required under law.
 - (d) If the terms and conditions of appointment of a Managing Director/ Whole Time Director/Manager/Executive Director are at variance to the conditions specified under Schedule V of the Act, then such appointment will be subject to the approval of the Central Government, if required under law otherwise approval of the Board suffice.
3. For a person to be appointed as a Managing Director/ Whole Time Director/ Manager/Executive Director ("**Candidate**"), he/she should fulfil/meet the following criteria:
 - (a) The Candidate should have been allotted a director's identification number or PAN
 - (b) The Candidate should not be below the age of 21 years. If the Candidate has completed 70 years of age, then the Candidate may be appointed after complying with the provisions of Act.

- (c) The Candidate should not be an undischarged insolvent or should not have, at any time, been adjudged as an insolvent.
- (d) The Candidate should not have, at any time, suspended payment to his/her creditors or should not be a person who makes, or has at any time made, a composition with them.
- (e) The Candidate should not have, at any time, been convicted by a court of an offence and sentenced for a period of more than 6 months.
- (f) The Candidate should not be disqualified to act as a director pursuant to the provisions of the Act.
- (g) The Candidate should not be a director, who has been at any time removed from directorship by the Company in accordance with the provisions of the Act.
- (h) The Candidate should not have been sentenced to imprisonment for any period, or to a fine exceeding Rs. 1000, for the conviction of an offence under any of the statues set out at **Annexure 1**.
- (i) The Candidate should not have been detained for any period under the Conservation of Foreign Exchange and Prevention of Smuggling Activities Act, 1974 (52 of 1974).
- (j) If the Candidate is a managerial person in more than 1 company, then the remuneration which he/she draws from 1 or more companies should be within the ceiling provided in section V of Part II of Schedule V of the Act.
- (k) The Candidate should be a 'resident of India' as per Schedule V of the Act.
- (l) 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.

4. Process to be adopted for the nomination and appointment of a Chief Financial Officer:

- (a) The Committee will identify and recommend to the Board, person(s) who is qualified and eligible for appointment as a Chief Financial Officer.
- (b) The appointment of the Chief Financial Officer will be subject to issuance by the Company of a formal letter of appointment in the manner provided by the Act.
- (c) The person(s) so identified and recommended by the Committee to the Board, for appointment as a Chief Financial Officer, and the letter of appointment setting out the terms and conditions of his/her appointment and remuneration, will be subject to approval of the Board.

5. For a person to be appointed as a Chief Financial Officer (“Candidate”), he/she should fulfil/meet the following criteria:

- (a) 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.
- (b) The Candidate should not be employed or holding any position as a chief financial officer or any other post in any other firm/entity.
- (c) The Candidate should not have been sentenced to imprisonment for any period, or to a fine exceeding Rs. 1000, for the conviction of an offence under any law.

6. Process to be adopted for the nomination and appointment of a Company Secretary:

- (a) The Committee will identify and recommend to the Board, person(s) who is qualified and eligible for appointment as a Company Secretary.
- (b) The appointment of the Company Secretary will be subject to issuance by the Company of a formal letter of appointment in the manner provided by the Act.
- (c) The person(s) so identified and recommended by the Committee to the Board, for appointment as a Company Secretary, and the letter of appointment setting out the terms and conditions of his/her appointment and remuneration, will be subject to approval of the Board.

7. For a person to be appointed as a Company Secretary (“Candidate”), he/she should fulfil/meet the following criteria:

- (a) The Candidate should be a qualified Company Secretary.
- (b) The Candidate should not be a ‘Company Secretary in Practice’.

‘company secretary in practice’ would mean a company secretary who is deemed to be in practice under sub-section (2) of section 2 of the Company Secretaries Act, 1980.

- (c) The Candidate should not be employed or holding any position as a company secretary or any other post in any other firm/entity.
- (d) The Candidate should not have been sentenced to imprisonment for any period, or to a fine exceeding Rs.1000, for the conviction of an offence under any law.

B. Non-Executive Directors:

1. As per the Act, the Company is required to have a minimum of 3 directors and upto a maximum of 15 directors, which maximum number can be increased pursuant to a special resolution passed by the Company. The Act and clause 49 of the equity listing agreement (“**Listing Agreement**”) also stipulates the composition of the Board such as gender, ratio of non-executive to executive directors, and the number of independent directors.

2. Process to be adopted for the nomination and appointment of non-executive directors:

- (a) The Committee will identify and recommend to the Board, person(s) who is qualified and eligible for appointment as a non-executive director of the Company (“Non-Executive Director”), not being an independent director of the Company (“Independent Director”), provided such Non-Executive Director meets the criteria set out under this Policy.
- (b) The appointment of the Non-Executive Director will be subject to execution of formal agreement between the Company and the Non-Executive Director.
- (c) The person(s) so identified and recommended by the Committee to the Board, for appointment as a Non-Executive Director, and the agreement setting out the terms and conditions of his/her appointment and remuneration, will be subject to approval of the Board, and of the shareholders at the general meeting of the Company, whenever required under law.

3. For a person to be appointed as a Non-Executive Director (“Candidate”), he/she should fulfil/meet the following criteria:

- (a) The Candidate should have been allotted a director’s identification number.
- (b) The number of companies in which such Candidate may be holding office as a director or a chairman or committee member should not exceed the limit stipulated by the Act.
- (c) The Candidate should not be disqualified to act as a director pursuant to the provisions of the Act.

C. Independent Directors:

1. In terms of section 149 (4) of the Act, read with the Companies (Appointment and Qualification of Directors) Rules, 2014, the Company is required to have at least [2] directors as independent directors.

2. Process to be adopted for the nomination and appointment of an Independent Director:

- (a) The Committee will identify and recommend to the Board, person(s) who is qualified and eligible for appointment as an Independent Director of the Company, provided such person(s) meets the criteria set out under this Policy.
- (b) The Committee may also select the Independent Director may be selected from a data bank containing names, addresses and qualifications of persons who are eligible and willing to act as independent directors, maintained by an authorised agency as per the Act. However, the Committee will nonetheless carry out its own verification and satisfy itself as to the candidature of the Independent Director.
- (c) The appointment of an Independent Director will be subject to issuance by the Company of a formal letter of appointment in the manner provided by the Act.

- (d) The person(s) so identified and recommended by the Committee to the Board, for appointment as the Independent Director, and the agreement setting out the terms and conditions of his/her appointment and remuneration will be subject to approval of the Board, and of the shareholders at the next general meeting of the Company as per requirements of the Act.
3. For a person to be appointed as an Independent Director (“**Candidate**”), he/she should fulfil/meet the following criteria:
- (a) If the Candidate is already an Independent Director, then his tenure and term will be as per the Act and the equity listing agreement.
 - (b) The Candidate should have been allotted a director’s identification number.
 - (c) The number of companies in which such Candidate may be holding office as an independent director or a chairman or committee member should not exceed the limit stipulated by the Act.
 - (d) The Candidate should not be disqualified to act as a director pursuant to the provisions of the Act.
 - (e) The Candidate should, in the opinion of the Board, be a person of integrity and possesses relevant expertise and experience.
 - (f) The Candidate should not be or should not have been a promoter of the Company or its holding, subsidiary or associate company.
 - (g) The Candidate should not be related to promoters or directors in the Company, its holding, subsidiary or associate company.
 - (h) The Candidate should not have or should not have had any pecuniary relationship with the Company, its holding, subsidiary or associate company, or their promoters, or directors, during the 2 immediately preceding financial years or during the current financial year.
 - (i) None of the Candidate’s relatives should have or should have had pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company, or their promoters, or directors, amounting to 2% more of its gross turnover or total income or Rs. 50,00,000 or such higher amount as may be prescribed, whichever is lower, during the 2 immediately preceding financial years or during the current financial year.
 - (j) Neither himself/herself nor any of his/her relatives:
 - (i) should hold or should have held the position of a key managerial personnel or should be or should have been an employee of the Company or its holding, subsidiary or associate company in any of the 3 financial years immediately preceding the financial year in which he/she is proposed to be appointed.

- (ii) should be or should have been an employee or proprietor or a partner, in any of the 3 financial years immediately preceding the financial year in which he/she is proposed to be appointed, of:
 - a firm of auditors or company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate company; or
 - any legal or a consulting firm that has or had any transaction with the Company, its holding, subsidiary or associate company amounting to 10% or more of the gross turnover of such firm;
- (iii) should hold together with his/her relatives 2% or more of the total voting power of the Company;
- (iv) should be a Chief Executive or director, by whatever name called, of any non-profit organisation that receives 25% or more of its receipts from the Company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2% or more of the total voting power of the Company; or
- (v) should be a material supplier, service provider or customer or a lessor or lessee of the Company.
- (k) The Candidate should not be less than 21 years of age.
- (n) The Candidate should possess the following minimum qualification and experience:

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.

IV. Evaluation:

1. The reappointment or extension of term and the remuneration of Executive Directors and Non Directors will be as per the performance evaluation report pursuant to the performance evaluation carried out by the Board (excluding the director being evaluated).
2. The criteria for such performance evaluation has been set out at **Annexure 2**.

V. 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.

VI. 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.

VII. Remuneration:

A. Remuneration to KMP, Manager and Senior Management Personnel:

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 on the recommendation of the Committee. 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 on the recommendation of the Committee and approved by the shareholders and Central Government, wherever required. Further perquisites may be varied from employee to employee but same shall not exceed the 250% of Basic Salary of concern employee and shall not exceed the following limits:-

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| 1. HRA p.m. | - Not exceeding to 70% Basic Salary p.m. |
| 2. Gas, Elec, Water etc. | - Not exceeding to Rs.10,000/- p.m. |
| 3. Medical reimbursement in India & Foreign | - Actual |
| 4. LTA | - Not exceeding to Rs.10,000/-p.m. |
| 5. Club fees and Entertainment | - Actual |
| 6. Driver | - Not exceeding to Rs.20,000/-p.m. |
| 7. Petrol & others | - Not exceeding to Rs.15,000/-p.m. |
| 8. Telephone | - Not exceeding to Rs.5,000/- p.m. |
| 9. Bonus | - Not exceeding to Rs.2,000/- p.m. |
| 10. Contribution to PF as per rules or as mutually decided by Company and employee | |

Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Director in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Central Government, where required, 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 by the Central Government.

The remuneration of the Managing/Executive/Whole-time Director shall consist of the following:

- (i) Basic Salary
- (ii) House Rent Allowance
- (iii) Special Allowance

In addition to the above,

- (i) Company's contribution to the provident fund as per The Employees' Provident Funds and Miscellaneous Provisions Act, 1952.
 - (ii) Gratuity at a rate not exceeding half a month's salary for each completed year of service.
 - (iii) Superannuation contribution subject to a maximum ceiling of 15% of basic salary by way of contribution to a fund or an allowance in lieu thereof or a combination of both.
 - (iv) Encashment of an unavailed leave at the end of each year.
 - (v) Re-imbursment of telephone expenses at residence for official purpose.
 - (vi) A chauffeur – driven vehicle.
 - (vii) Coverage under Company's Group Insurance Cover.
 - (viii) Fees of club, subject to a maximum of one club. This will not include admission and life membership fees.
 - (ix) Subscription and Annual fees for Corporate Credit Card.
 - (x) An incentive payment based on achievement of profitability levels for the year ended, upto such amount, as may be decided by the Board and approved by the shareholders from time to time.
 - (xi) Increment for each year will be determined by the Committee based on the performance evaluation report and which will be subject to approval of the Board and shareholders, and of the Central Government, if applicable.
 - (xii) Such other benefits and upto such amount, as may be decided by the Board and the shareholders, from time to time.
- (c) The Managing Director is currently not entitled to any stock options.

B. Non Executive Directors and Independent Directors:

1. The Committee to recommend the remuneration of the Non Executive/Independent Directors to the Board for its approval, and will be subject to approval of the shareholders of the Company, whenever required.
2. The terms of the remuneration of the Non Executive Directors shall be as under:

An incentive payment based on achievement of profitability levels for the year ended, upto such amount, as may be decided by the Board and the shareholders, from time to time.

- (a) 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 not exceed Rs. One Lac per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.
- (b) Increment for each year will be determined by the Committee based on the performance evaluation report and which will be subject to approval of the Board and the shareholders.
- (c) The Non Executive Directors are currently not entitled to any stock options.

VIII. General:

1. The Board will constitute of atleast 1 director who has stayed in India for a total period of not less than 182 days in the previous calendar year.
2. If the total managerial remuneration payable by the Company to all its directors in any financial year exceeds the limits stipulated under the Act and rules made thereunder, then the Company will obtain requisite approval of the Central Government.
3. Atleast a month before the retirement or resignation of any director or whole time key managerial personnel, the Committee will initiate the process of identifying and recommending new candidates to replace such retiring or resigning directors or whole time key managerial personnel.

NOTE:- Approval of shareholders for appointment of above candidate shall be taken if required under Companies Act, 2013 and rules made thereunder.

a. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

b. 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 such executives, as it considers appropriate, to be present at the meetings of the Committee.

c. SECRETARY

The Company Secretary of the Company shall act as Secretary of the Committee.

d. VOTING

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

e. MINUTES OF COMMITTEE MEETING

- Proceedings of all meetings must be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meeting.

f. AMENDMENT

- The Board of Directors reserves the right to amend or modify the Nomination and Remuneration Policy in whole or in part, at any time without assigning any reason whatsoever. However, no such amendment or modification will be binding on the employees, key managerial personnel and senior management employees unless the same is notified to them in writing.

Annexure 1

List of Statues

The Managing Director should not have been sentenced to imprisonment for any period, or to a fine exceeding Rs. 1000, for the conviction of an offence under any of the following Acts, namely:

- (a) the Indian Stamp Act, 1899 (2 of 1899);
- (b) the Central Excise Act, 1944 (1 of 1944);
- (c) the Industries (Development and Regulation) Act, 1951 (65 of 1951);
- (d) the Prevention of Food Adulteration Act, 1954 (37 of 1954);
- (e) the Essential Commodities Act, 1955 (10 of 1955);
- (f) the Companies Act, 2013;
- (g) the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- (h) the Wealth-tax Act, 1957 (27 of 1957);
- (i) the Income-tax Act, 1961 (43 of 1961);
- (j) the Customs Act, 1962 (52 of 1962);
- (k) the Competition Act, 2002 (12 of 2003);
- (l) the Foreign Exchange Management Act, 1999 (42 of 1999);
- (m) the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986);
- (n) the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- (o) the Foreign Trade (Development and Regulation) Act, 1922 (22 of 1922); and
- (p) the Prevention of Money-Laundering Act, 2002 (15 of 2003).

Annexure 2

Criteria for performance evaluation

No.	Criteria	Rating
1	Does the Board steer clear of day-to-day micro management and only focus on strategic macro issues	
2	Does the Board understand the Company's central idea	
3	Does the Board bring experience and diversity to the Company	
4	Is an objective evaluation of the top management carried out	
5	Has a succession plan for the top management been put in place	
6	Have the Board's objectives very clearly communicated to the management	
7	Does the Board interact with Auditors / Internal Auditors	
8	Does the Board focus on the Risk Management Practices of the Company	
9	Is there an open and interactive discussion on new ideas	
10	Is it open to Whistle Blowers	
Total Score		

Rating Scale

Excellent / Outstanding

Average

Needs to Improve