

Apollo Fashion International Limited

Nomination and Remuneration Policy

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1. INTRODUCTION

In terms of Section 178 of the Companies Act, 2013, this policy on nomination and remuneration of Directors, Key Managerial Personnel, Senior Management and other employees of the Company has been formulated by the Nomination and Remuneration Committee of the Company and approved by the Board of Directors. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of every Director, Key Managerial Personnel, Senior Management and other employees.

2. DEFINITIONS

- 2.1 **'Act'** means Companies Act, 2013 and rules thereunder, including any modifications, amendments or re-enactment thereof.
- 2.2 **'Board of Directors'** or **'Board'**, in relation to the Company, means the collective body of the directors of the Company.
- 2.3 **'Committee'** means Nomination and Remuneration Committee (NRC) of the Company as constituted or reconstituted by the Board.
- 2.4 **'Company'** means Apollo Fashion International Limited.
- 2.5 **'Directors'** means Directors of the Company.
- 2.6 **'Independent Director'** means a director referred to in Section 149 (6) of the Companies Act, 2013.
- 2.7 **'Key Managerial Personnel'** (KMP) means:
 - a. Chief Executive Officer and / or Managing Director,
 - b. Whole-time Director,
 - c. Chief Financial Officer,
 - d. Company Secretary,
 - e. Such other officer as may be prescribed.
- 2.8 **'Senior Management'** mean officers/personnel of the Company who are (i) one level below the Chief Executive Officer & Managing Director and members of the core management; (ii) KMP; (iii) Head-Internal Audit; and (iv) any other person as may be identified by the NRC and the Board from time to time.

3. OBJECTIVE OF THE POLICY

The objective of this Policy is to outline a framework to ensure that the Company's remuneration levels are aligned with industry practices and are sufficient to attract and retain competent directors on the Board, Key Managerial Personnel and Senior Management of the quality required, while allowing fair rewards for the achievement of key deliverables and enhanced performance.

The key objectives of this Policy include:

- 3.1 That the remuneration to Directors, Key Managerial Personnel (KMP), and other employees of the Company 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.

- 3.2 To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive) and persons who may be appointed in Senior Management, Key Managerial positions and to determine their remuneration
- 3.3 To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry
- 3.4 To carry out evaluation of the performance of every Directors and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's operations; and
- 3.5 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage
- 3.6 To lay down criteria for appointment, removal of directors, Key Managerial Personnel and Senior Management Personnel and evaluation of every director's performance.

4. CONSTITUTION OF THE NOMINATION AND REMUNERATION COMMITTEE

Constitution of the Committee shall be in consonance with the applicable provisions of the Act, as may be amended time to time, and shall comprise of at least three Directors, all of whom shall be non-executive directors and at least half shall be Independent Directors. The Chairperson of the Company may be a member of the Committee but shall not chair such Committee.

5. RESPONSIBILITY OF THE COMMITTEE

The Committee is responsible for:

- a) criteria for determining qualifications, positive attributes and independence of a Director for the purpose of this Policy;
- b) advising the Board on issues concerning principles for remuneration of Directors (including Non-Executive Directors), KMP and Senior Management. The Nomination and Remuneration Committee shall, while formulating the principles for remuneration ensure that—
 - (i) 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;
 - (ii) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
 - (iii) 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;
- c) any other responsibility as determined by the Board.

6. APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

6.1 Appointment criteria and qualifications:

- (i) 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
- (ii) 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 position.
- (iii) 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 based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- (iv) The Company should ensure that the person so appointed as Director/ Independent Director/ KMP/ Senior Management Personnel shall not be disqualified under the Act, and rules made thereunder, or any other enactment for the time being in force.
- (v) The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Act, and rules made thereunder, or any other enactment for the time being in force.
- (vi) Independent Director shall meet all criteria specified in Section 149(6) of the Act and rules made thereunder.

6.2 Disqualifications for Appointment of Directors Pursuant to Section 164 of the Act, a person shall not be eligible for appointment as a director of a company if:

- (i) He/She is of unsound mind and stands so declared by a competent court;
- (ii) He/She is an undischarged insolvent;
- (iii) He/She has applied to be adjudicated as an insolvent and his application is pending;
- (iv) He/She has been convicted by a court of any offence, whether involving moral turpitude or otherwise, and sentenced in respect thereof to imprisonment for not less than six months and a period of five years has not elapsed from the date of expiry of the sentence: Provided that if a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be appointed as a director in any company;
- (v) An order disqualifying him for appointment as a director has been passed by a court or Tribunal and the order is in force;
- (vi) He/She has not paid any calls in respect of any shares of the company held by him, whether alone or jointly with others, and six months have elapsed from the last day fixed for the payment of the call;

- (vii) He/She has been convicted of the offence dealing with related party transactions under section 188 at any time during the last preceding five years; or
- (viii) He/She has not complied with sub-section (3) of section 152;
- (ix) He/She has not complied with the provisions of sub-section (1) of section 165;
- (x) No person who is or has been a director of a company which:
 - has not filed financial statements or annual returns for any continuous period of three financial years; or
 - has failed to repay the deposits accepted by it or pay interest thereon or to redeem any debentures on the due date or pay interest due thereon or pay any dividend declared and such failure to pay or redeem continues for one year or more, shall be eligible to be reappointed as a director of that company or appointed in other company for a period of five years from the date on which the said company fails to do so.

6.3 Term / Tenure

6.3.1 Managing Director/Whole-time Director:

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

6.3.2 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 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.

6.4 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.

6.5 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.

7. REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES

7.1 General

- 7.1.1** Nomination and Remuneration Committee shall recommend the remuneration, including the commission based on the net profits of the Company for the Non-Executive Directors and Whole-time Director and other Executive Directors. This will be then approved by the Board and shareholders. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- 7.1.2** Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director.
- 7.1.3** Where any insurance is taken by the Company on behalf of its Whole-time Director, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees 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. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.
- 7.1.4** The trend prevalent in the similar industry, nature and size of business is kept in view and given due weightage to arrive at a competitive quantum of remuneration.
- 7.1.5** Following criteria are also to be considered:-
- Responsibilities and duties ;
 - Time & efforts devoted;
 - Value addition;
 - Profitability of the Company & growth of its business;
 - Analyzing each and every position and skills for fixing the remuneration yardstick ;
 - Standards for certain functions where there is a scarcity of qualified resources.
 - Other criteria as may be applicable

7.2 Remuneration to Whole-Time/Executive/ Managing Director

7.2.1 Fixed pay:

The Whole-Time/Executive/ Managing Director shall be eligible for remuneration as may be approved by the Shareholders of the Company on the recommendation of the Committee and the Board of Directors.

7.2.2 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/Executive/ Managing Director in accordance with the provisions of the Companies Act, 2013.

7.2.3 Provisions for excess remuneration:

If any Whole-Time/Executive/ Managing 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.

7.3 Remuneration to Non- Executive / Independent Director:

7.3.1 Sitting Fees:

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 INR One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time. The quantum of sitting fees will be determined as per the recommendation of Nomination and Remuneration Committee and approved by the Board of Directors of the Company. Further the boarding and lodging expenses shall be reimbursed to the Directors.

7.3.2 Commission:

The profit-linked Commission, if any, shall be paid within the monetary limit approved by the shareholders of the Company subject to the same not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Regulations.

7.4 Remuneration to KMP, Senior Management Personnel and Other Employees

The KMP, Senior Management Personnel and other employees of the Company shall be paid monthly remuneration as per the Company's HR policies.

8. CRITERIA FOR EVALUATION OF DIRECTOR AND THE BOARD

The Committee shall review the performance of all the Directors and submit its observations with the Chairman of the Board for necessary discussion and consequential action. The performance of Board and its various Committee will be evaluated by the Board itself. The performance shall be reviewed for every financial year.

The Independent Directors shall annually:

- a) review the performance of Non-Independent Directors and the Board as a whole; and
- b) review the performance of the Chairperson of the Company, taking into account the view of Executive Directors and Non-Executive Directors.

The Board of Directors (with the individual director being evaluated recusing himself/herself at the relevant time) shall also annually review the performance of individual Directors, Board as a whole and its Committees.

This evaluation will be based on the responses of individual Directors/Committee Members on the structured questionnaires. The Committee/Board can also engage any external consultant for the purpose of evaluation.

The Board/Committee may evaluate the Directors on following factors, including:

- a) Attendance at Board meetings and Board Committee meetings;
- b) Chairmanship of the Board and Board Committees;
- c) Contribution and deployment of knowledge and expertise at the Board and Committee meetings;
- d) Guidance and support provided to Senior Management of the Company outside the Board meetings;
- e) Independence of behaviour and judgment; and
- f) Impact and influence.

Further, the evaluation of the Independent Directors shall be done by the entire Board which shall among other factors, include –

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- a) Performance of the Directors;
- b) Fulfilment of the independent criteria as defined under the Act and their independence from the management.

9. DEVIATION FROM THE POLICY

The Board may, in individual or collective case, deviate from this Policy, in its absolute discretion, if there are particular reasons to do so. In the event of any departure from the Policy, the Board shall record the reasons for such departure in the Board's minutes.

10. 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.