

NOMINATION AND REMUNERATION POLICY

Reviewed, Updated and Approved by Board of Directors in their Meeting held on 20th May, 2026

This Policy will be called “Nomination and Remuneration Policy”

This Nomination, Remuneration and Policy (the “Policy”) applies to the Board of Directors (the “Board”), Key Managerial Personnel (the “KMPs”), the Senior Management Personnel and Other Employees of Vishal Fabrics Limited (the “Company”).

The term Other Employees means, all the employees other than the Directors, KMPs and the Senior Management Personnel.

This Policy is in compliance with the provisions of the Companies Act, 2013 (the “Act”) read along with the applicable rules thereto and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and any subsequent amendments thereto.

The Company’s Board has constituted a Nomination and Remuneration Committee (the “Committee”) consisting of three or more non-executive directors out of which not less than two -thirds are independent directors and the Chairman of the said Committee is an independent director. The Company, taking forward its compliance with the regulatory requirements has formulated a Nomination and Remuneration Policy (the “Policy”) pursuant to the requirements of Section 178 of the Companies Act, 2013 read along with rules framed thereunder, as amended from time to time (the “Act”) and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the “SEBI Listing Regulations”).

The terms that have not been defined in this policy shall have the same meaning as assigned to them in the Companies Act, 2013, Listing Regulation and/or any other rules/laws/ regulations as amended from time to time.

OBJECT

The primary objective of the Policy is to identifying persons through a promotion policy, who are qualified to become directors and who may be appointed in Senior Management (defined below) in accordance with the criteria laid down and to provide a framework and set standards for the nomination and remuneration of the Directors, KMPs, Senior Management Personnel and Other Employees. The Company aims to achieve a balance of merit, experience and skills amongst its Directors, KMPs and Senior Management Personnel.

RESPONSIBILITIES

The Board is ultimately responsible for the appointment of Directors, KMPs and Senior Management Personnel. However, the Board has delegated responsibility for assessing and selecting the candidates for the role of Directors, KMPs and the Senior Management of the Company to the Nomination and Remuneration Committee which makes recommendations and nominations to the Board.

RESPONSIBILITIES OF NOMINATION AND REMUNERATION COMMITTEE:

The Nomination and Remuneration Committee (the “Committee”) is inter-alia, responsible for :

1. formulation of the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board of Directors a policy relating to the remuneration of the directors, KMPs, Senior Management Personnel and Other Employees;

1A. For every appointment of an independent director, the Nomination and Remuneration Committee shall evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, prepare a description of the role and capabilities required of an independent director. The person recommended to the Board for appointment as an independent director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may:

- a. use the services of an external agencies, if required;
 - b. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c. considers the time commitments of the candidates.]
2. identifying persons who are qualified to become directors and who may be appointed as the KMPs or in the Senior Management of the Company in accordance with the criteria laid down and recommend to the Board of Directors their appointment and removal;
 3. formulation of criteria for evaluation of performance of independent directors and the board of directors;
 4. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, with the objective to diversify the Board;
 5. making recommendations to the Board on the remuneration payable to the Directors/ KMPs/Senior Management Personnel so appointed/reappointed;
 6. Such other key issues/matters as may be referred/delegated by the Board or as may be necessary in view of the Listing Regulations and provisions of the Act and Rules thereunder and any subsequent amendments thereto;
 7. To recommend to the board whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent director.
 8. to 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 applicable laws and their service contract;
 9. to devise a policy on Board diversity

The Nomination and Remuneration Committee comprises of the followings:

- a) The Committee shall consist of a minimum 3 non-executive directors, two -thirds of them being independent.
- b) Minimum two (2) members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance shall constitute a quorum for the Committee meeting.
- c) Membership of the Committee shall be disclosed in the Annual Report.
- d) The committee shall meet at least once in a financial year.
- d) Term of the Committee shall be continued unless terminated by the Board of Directors.

CHAIRMAN

- a) Chairman of the Committee shall be an Independent Director.
- b) Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.
- c) In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairman.
- d) Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting to answer the shareholders' queries however, it shall be up to the chairperson to decide who shall answer the queries.

INTERESTED DIRECTOR

- a) 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.
- b) The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

VOTING

- a. 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.
- b. In the case of equality of votes, the Chairman of the meeting will have a casting vote.

APPOINTMENT AND REMOVAL OF DIRECTORS/KMPS/SENIOR MANAGEMENT PERSONNEL:

- a. Enhancing the competencies of the Board and attracting as well as retaining talented employees for role of KMP and Senior Management are the basis for the Nomination and Remuneration Committee to select a candidate for appointment to the Board/KMP/Senior Management Personnel. When recommending a candidate for appointment, the Nomination and Remuneration Committee has regard to:
 - assessing the appointee against a range of criteria which includes but not be limited to qualifications, skills, regional and industry experience, background and other qualities required to operate successfully in the position, with due regard for the benefits from diversifying the Board;

- the extent to which the appointee is likely to contribute to the overall effectiveness of the Board, work constructively with the existing directors and enhance the efficiencies of the Company;
 - the skills and experience that the appointee brings to the role of KMP/Senior Management Personnel and how an appointee will enhance the skill sets and experience of the Board as a whole;
 - the nature of existing positions held by the appointee including directorships or other relationships and the impact they may have on the appointee's ability to exercise independent judgement.
 - In addition to the qualifications and attributes specified herein, the prospective Independent Director should meet the criteria of independence provided in the Act and the requirements of Schedule IV and the Listing Regulations.
- b. Personal specifications:
- Degree holder in relevant disciplines;
 - Experience of management in a diverse organization;
 - Excellent interpersonal, communication and representational skills;
 - Demonstrable leadership skills;
 - Commitment to high standards of ethics, personal integrity and probity;
 - Commitment to the promotion of equal opportunities, community cohesion and health and safety in the workplace;
 - Having continuous professional development to refresh knowledge and skills.
- c. The Nomination and Remuneration Committee may recommend to the Board with reasons recorded in writing, removal of Director, KMP's subject to the provisions and compliances of the applicable Act, rules, regulations, if any

LETTERS OF APPOINTMENT

Each Director/KMP/Senior Management Personnel/Other Employee is required to sign the letter of appointment with the Company containing the terms of appointment and the role assigned in the Company.

REMUNERATION OF DIRECTORS, KMPS, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES

The guiding principle is that the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, KMPS, Senior Management Personnel and Other Employees.

The remuneration shall be based and determined on the individual person's responsibilities and performance and in accordance with the limits as prescribed statutorily, if any and the Human Resource policy of the Company, which attract, retain and motivate to the Directors, KMPS, Senior Management Personnel and Other Employees.

The Nomination and Remuneration Committee determines individual remuneration packages for Directors, KMPs of the Company at the time of their appointment/re-appointment taking into account factors it deems relevant, including but not limited to market, business performance and practices in comparable companies, having due regard to financial and commercial health of the Company as well as prevailing laws and government/other guidelines and the Human Resource policy of the Company. The Committee may consult with the Chairman of the Board as it deems appropriate. Remuneration of Executive Director is recommended by the Committee to the Board of the Company.

STRUCTURE OF REMUNERATION:

a. Base Compensation (fixed salaries)

Must be competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities, usually reviewed on an annual basis; (includes salary, allowances and other statutory/non-statutory benefits which are normal part of remuneration package in line with market practices)

b. Variable salary

The amount payable is determined by the Committee, based on performance against pre-determined financial and non-financial metrics.

STATUTORY REQUIREMENTS:

- Section 197(5) of the Act provides for remuneration by way of a fee to a director for attending meetings of the Board of Directors and Committee meetings or for any other purpose as may be decided by the Board.
- Section 197(1) of the Act 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.
- The Company with the approval of the Shareholders, Central Government and/or such other authorities, if required may authorise the payment of remuneration exceeding eleven percent of the net profits of the company, subject to the provisions of Schedule V of the Act.
- 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 and ten percent in case of more than one such official.
- The Company may pay remuneration to its directors, other than Managing Director and Whole Time Director upto one percent of the net profits of the Company, if there is a managing director or whole-time director or manager and three percent of the net profits in any other case.
- The net profits for the purpose of the above remuneration shall be computed in the manner referred to in Section 198 of the Act.

- In case of Loss or Inadequate Profit relating to any financial year, the Company may pay Remuneration to its Directors under the provision of Section II of part I and II to Schedule V of the act subject to approval of Shareholders either by Ordinary or Special Resolution, wherever applicable.

The Independent Directors shall not be entitled to any stock option and may receive remuneration by way of fee for attending meetings of the Board or Committee thereof or for any other purpose as may be decided by the Board and profit related commission as may be approved by the members. The sitting fee to the Independent Directors shall not be less than the sitting fee payable to other directors.

The remuneration payable to the Directors shall be as per the Company's policy and shall be valued as per the Income Tax Rules.

The remuneration payable to the Directors KMPs and the Senior Management Personnel at the time of their appointment shall be as may be decided by the Board on the recommendation of Nomination and Remuneration Committee having regard to inter-alia, their experience, leadership abilities, initiative taking abilities and knowledge base.

The remuneration payable to the other employees shall be in the manner as may be decided by the Chairman of the Company.

APPRAISALS AND INCREMENT:

Increment to the Executive Directors shall be approved by the Board on the recommendation of the Nomination and Remuneration Committee and the Increment to the KMPs (excluding Managing Director, Whole-Time Director and Manager) shall be approved by the Nomination and Remuneration Committee, based on the performance of the individual, business and the Company and the prevalent levels of remuneration in the industry and as per the applicable rules/regulations.

Appraisal and increment of the Senior Management Personnel and Other Employees will be decided by the Chairman based on the performance of the individual against the Key performance areas laid down by the Company, performance of the business function handled by the individual and the Company

Simultaneously, other requisite approvals including of the shareholders shall be obtained wherever required.

EVALUATION

The Committee shall carry out the evaluation of performance of Independent Directors, Key Managerial Personnel, Senior Management Personnel and the Board as a whole on yearly basis.

SEPARATE MEETING OF INDEPENDENT DIRECTORS

1. The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of the management, to review the performance of Board as a whole, taking into account the views of executive directors and non-executive directors;
2. All the independent directors of the company shall strive to be present at such meeting;

3. The meeting shall assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties

RETIREMENT

The Independent Director shall not be liable to retire by rotation. Remaining Directors, Key Managerial Personnel and Senior Management Personnel shall retire as per the applicable provisions of the Companies Act 2013 or as per the prevailing HR policy of the Company. They can be retained in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

REMOVAL

Due to reasons for any disqualification/misconduct/fraud 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, Key Managerial Personnel or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

REVIEW AND AMENDMENTS

The Committee or the Board may review the policy as and when it deems necessary. The Board of Directors or the Committee shall have the power to amend any of the provisions of this Policy, substitute any of the provisions with new provisions or replace this Policy entirely with a new Policy.