



REVISED

**NOMINATION & REMUNERATION
POLICY
OF
EMAMI PAPER MILLS LIMITED**

**(Recommended by Nomination & Remuneration Committee and
approved by the Board of Directors on 27th January, 2015)**

**FOR THE MEMBERS OF BOARD AND
EXECUTIVE MANAGEMENT**

1. Preamble

- 1.1 The remuneration policy provides a framework for remuneration paid to the members of the Board of Directors ("Board"), Key Managerial Personnel ("KMP") and the Senior Management Personnel ("SMP") of the Company (collectively referred to as "**Executives**"). The expression "senior management" means personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors.
- 1.2 In terms of Section 178 of the Companies Act, 2013 which has been made effective from April 1, 2014 by the Central Government vide notification no. S.O. 902(E) issued on March 26, 2014, this Remuneration Policy ("the Policy") is being framed and formulated for laying down criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Executives.
- 1.3 The policy will be reviewed by the Nomination and Remuneration Committee of the Board of Directors as and when required.

2. Aims & Objectives

- 2.1 The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and Clause 49 under the Listing Agreement. The aims and objectives of this remuneration policy may be summarized as follows:
- 2.1.1 The remuneration policy aims to enable the company to attract, retain and motivate highly qualified members for the Board and other executive level.
- 2.1.2 The remuneration policy seeks to enable the company to provide a well-balanced and performance-related compensation package, taking into

account shareholder interests, industry standards and relevant Indian corporate regulations.

- 2.1.3 The remuneration policy will ensure that the interests of Board members & senior executives are aligned with the business strategy and risk tolerance, objectives, values and long-term interests of the company and will be consistent with the "pay-for-performance" principle.
- 2.1.4 The remuneration policy will ensure that 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.

3. Definitions

- 3.1 **Act:** means the Companies Act, 2013 and Rules framed there under, as amended from time to time.
- 3.2 **Board:** means Board of Directors of the Company.
- 3.3 **Directors:** means Directors of the Company.
- 3.4 **Key Managerial Personnel:** means
- 3.4.1 Chief Executive Officer or the Managing Director or the Manager;
 - 3.4.2 Whole-time director;
 - 3.4.3 Chief Financial Officer;
 - 3.4.4 Company Secretary; and
 - 3.4.5 such other officer as may be prescribed.
- 3.5 **Senior Management:** means the personnel of the company who are members of its core management team excluding Board of Directors comprising all members of management one level below the executive directors, including the unit/functional heads.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined in the Companies Act, 2013 as may be amended from time to time shall have the meaning respectively assigned to them therein.

Principles of remuneration

- 4.1 Support for Strategic Objectives: Remuneration and reward frameworks and decisions shall be developed in a manner that is consistent with, supports and reinforces the achievement of the Company's vision and strategy.
- 4.2 Transparency: The process of remuneration management shall be transparent, conducted in good faith and in accordance with appropriate levels of confidentiality.
- 4.3 Internal equity: The Company shall remunerate the board members, KMP and senior management in terms of their roles within the organisation. Positions shall be formally evaluated to determine their relative weight in relation to other positions within the Company.
- 4.4 External equity: The Company strives to pay an equitable remuneration, capable of attracting and retaining high quality personnel. Therefore the Company will remain logically mindful of the ongoing need to attract and retain high quality people, and the influence of external remuneration pressures. Reference to external market norms will be made using appropriate market sources, including relevant and comparative survey data, as determined to have meaning to the Company's remuneration practices at that time.
- 4.5 Flexibility: Remuneration and reward offerings shall be sufficiently flexible to meet both the needs of individuals and those of the Company whilst complying with relevant tax and other legislation.
- 4.6 Performance-Driven Remuneration: The Company shall entrench a culture of performance driven remuneration through the implementation of the Performance Incentive System.
- 4.7 Affordability and Sustainability: The Company shall ensure that remuneration is affordable on a sustainable basis.

4. Nomination and Remuneration Committee

5.1 The Remuneration Committee of the Board of Directors has now been re-named as Nomination and Remuneration Committee. Members of the Committee shall be appointed by the Board and shall comprise of three or more non-executive directors out of which not less than one-half shall be independent directors.

The Chairperson of the Committee shall be an Independent Director. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

The Chairperson of the Company may be appointed as a member of the Committee but shall not be a Chairman of the Committee.

Chairman of the Nomination and Remuneration Committee meeting could be present at the Annual General Meeting or may nominate some other member to answer the shareholders' queries.

5.2 The Committee shall be responsible for:

- 5.2.1 Formulating framework and/or policy for remuneration, terms of employment and any changes, including service contracts, remuneration, policy for and scope of pension arrangements, etc for Executives and reviewing it on a periodic basis;
- 5.2.2 Formulating criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the Executives.
- 5.2.3 Identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down in this policy, recommend to the Board their appointment and removal and carry out evaluation of every director's performance.

5.2.4 Formulating terms for cessation of employment and ensure that any payments made are fair to the individual and the company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

5.3 The Committee shall:

5.3.1 review the ongoing appropriateness and relevance of the remuneration policy;

5.3.2 ensure that all provisions regarding disclosure of remuneration, including pensions, are fulfilled;

5.3.3 obtain reliable, up-to-date information about remuneration in other companies;

5.3.4 ensure that no director or executive is involved in any decisions as to their own remuneration.

5.4 The Committee shall:

5.4.1 Evaluate the performance of every Director including Executive Chairman, Executive Director & CEO, Whole time Director and Director (Operations);

However Executive Director & CEO of the company shall evaluate the performance of Chief Financial Officer (CFO), Company Secretary (CS), and other Senior Management Personnel on the evaluation criteria as mentioned in the Evaluation Policy;

5.4.2 Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations there under, recommend to the Board with reasons recorded in writing, removal of a Director, other KMPs subject to the provisions and compliance of the said Act, rules and regulations;

5.4.3 Have the discretion to retain the Director, KMP and Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

5.5 Without prejudice to the generality of the terms of reference to the Remuneration Committee set out above, the Remuneration Committee shall:

5.5.1 Operate the Company's share option schemes (if any) or other incentives schemes (if any). It shall recommend to the Board the total aggregate amount of any grants to employees (with the specific grants to individuals to be at the discretion of the Board) and make amendments to the terms of such schemes (subject to the provisions of the schemes relating to amendment);

5.5.2 liaise with the trustee / custodian of any employee share scheme which is created by the Company for the benefit of employees or Directors; and

5.5.3 review the terms of executive Directors' service contracts from time to time.

6 Committee Member's Interests

6.1 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.

6.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

7 Frequency of meetings

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

8 Procedure for selection and appointment of the Board Members

8.1 Board membership criteria

- 8.1.1 The Committee, along with the Board, reviews on an annual basis, appropriate skills, characteristics and experience required of Board Members for the better management of the Company. The objective is to have a Board with diverse background and experience in business, government, academics, technology and in areas that are relevant for the Company's global operations.
- 8.1.2 In evaluating the suitability of individual Board members, the Committee takes into account many factors, including general understanding of the Company's business dynamics, global business and social perspective, educational and professional background and personal achievements. Directors must possess experience at policy-making and operational levels in large organizations with significant international activities that will indicate their ability to make meaningful contributions to the Board's discussion and decision-making in the array of complex issues facing the Company.
- 8.1.3 Director should possess the highest personal and professional ethics, integrity and values. They should be able to balance the legitimate interest and concerns of all the Company's stakeholders in arriving at decisions, rather than advancing the interests of a particular constituency.
- 8.1.4 In addition, Directors must be willing to devote sufficient time and energy in carrying out their duties and responsibilities effectively. They must have the aptitude to critically evaluate management's working as part of a team in an environment of collegiality and trust.

8.1.5 The Committee evaluates each individual with the objective of having a group that best enables the success of the Company's business.

8.2 Selection of Board Members/ extending invitation to a potential director to join the Board

8.2.1 One of the roles of the Committee is to periodically identify competency gaps in the Board, evaluate potential candidates as per the criteria laid above, ascertain their availability and make suitable recommendations to the Board. The objective is to ensure that the Company's Board is appropriate at all points of time to be able to take decisions commensurate with the size and scale of operations of the Company. The Committee also identifies suitable candidates in the event of a vacancy being created on the Board on account of retirement, resignation or demise of an existing Board member. Based on the recommendations of the Committee, the Board evaluates the candidate(s) and decides on the selection of the appropriate member.

8.2.2 The Board then makes an invitation (verbal / written) to the new member to join the Board as a Director. On acceptance of the same, the new Director may be appointed by the Board.

9 Procedure for selection and appointment of Executives other than Board Members:

The Committee delegates the authority to the Executive Director(ED) & CEO for appointment, promotion, transfer and removal of the Executives other than Board members, Chief Financial Officer (CFO), Company Secretary (CS), and other Senior Management Personnel on the basis of the following criteria and with the help of Unit heads and HR Department:-

9.1 Unit heads shall actively liaise with the relevant departments of the Company to study the requirement for management personnel;

- 9.2 CEO may conduct a wide-ranging search for candidates for the positions of KMP (other than the members of the Board) and SMP within the Company, within enterprises controlled by the Company or within enterprises in which the Company may hold equity, and on the human resources market;
- 9.3 The professional, academic qualifications, professional titles, detailed work experience for selection of the candidates will be followed;
- 9.4 The Committee shall carry out other follow-up tasks based on the decisions of and feedback from the Board of Directors.

10 Compensation Structure

10.1 Remuneration to Non-Executive Directors:

The Non-executive Directors of the Company are paid remuneration by way of sitting fees only for attending the meetings of the Board of Directors and its Committees. The said sitting fees paid to the Non-executive Directors for the Board Meetings and Committee meetings are fixed by the Board and reviewed from time to time in accordance with applicable law. The Non-executive Directors may be paid such commission as the Board may approve from time to time subject to limits prescribed from time to time in the Act or Rules made thereunder and approval of shareholders.

10.2 Remuneration to Executive Directors, Key Managerial Personnel(s) (KMPs) & Senior Management Personnel (s) (SMPs):

The Company has a credible and transparent framework in determining and accounting for the remuneration of the Managing Director / Whole Time Directors (MD/WTDs), Executive Directors (EDs), Key Managerial Personnel(s) (KMPs) and Senior Management Personnel(s) (SMPs). Their remuneration are governed by the external competitive environment, track record, potential, individual performance and performance of the company as well as industry standards.

The remuneration determined for MD/WTDs and EDs are approved by the Board of Directors and members at the next general meeting of the Company and by the Central Government in case such appointment is at variance to the conditions specified in Schedule V. As a policy, the Executive Directors are neither paid sitting fee nor any commission.

The remuneration for other KMPs, SMPs and Unit heads will be determined by the Executive Director the company.

10.3 Annual Increment in respect of Executive Director, Whole time Director and Director (Operations) shall be allowed by the Chairman on the basis of merit and other relevant factors but within monetary ceiling as prescribed under Schedule V of the Companies Act, 2013 subject to Central Government approval if required.

11 Role of Independent Directors

11.1 The Committee shall, in consultation with the Independent Directors of the Company, prepare and submit this policy to the Board for its approval.

11.2 The Independent Directors shall have power and authority to determine appropriate levels of remuneration of executive directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, key managerial personnel and senior management.

11.3 The Independent Directors shall submit its recommendations/ proposals/ decisions to the Committee which the Committee shall consult and take to the Board of Directors.

12 Approval and publication

12.1 This remuneration policy as framed by the Committee shall be recommended to the Board of Directors for its approval.

12.2 This policy shall be hosted on the Company's website.

12.3 The policy shall form part of Director's report to be issued by the Board of Directors in terms of Companies Act, 2013.

13 Supplementary provisions

- 13.1 This Policy shall formally be implemented from the date on which they are adopted pursuant to a resolution of the Board of Directors.
- 13.2 Any matters not provided for in this Policy shall be handled in accordance with relevant State laws and regulations and the Company's Articles of Association. If this Policy conflict with any laws or regulations subsequently promulgated by the state or with the Company's Articles of Association as amended pursuant to lawful procedure, the relevant state laws and regulations and the Company's Articles of Association shall prevail, and this Policy shall be amended in a timely manner and submitted to the Board of Directors for review and adoption.
- 13.3 The right to interpret and revise the Policy vests in the Board of Directors of the Company.