

MOHIT PAPER MILLS LIMITED

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Policy:

NOMINATION AND REMUNERATION POLICY

Introduction:

The Nomination & Remuneration Policy (hereinafter called “Policy”) of Mohit Paper Mills Limited (hereinafter called “Company”) is formulated under the requirements of applicable laws, including the Companies Act, 2013 (hereinafter called “Act”) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (hereinafter called “Listing Regulations”). The Policy is intended to set out criteria to pay equitable remuneration to the Directors, Key Managerial Personnel (KMP), senior management (as defined below) and other employees of the Company and to harmonies the aspirations of human resources with the goals of the Company.

Objective:

The Nomination and Remuneration Committee (the “Committee”) and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 read along with the applicable rules thereto and as per regulation 19 of SEBI (Listing Obligations and Disclosures Requirements) Regulation, 2015 and other applicable Law(s), Rule(s) and Regulation(s), if any.

The Key Objectives of the Committee would be:

- i. To guide the Board of Directors of the company (hereinafter called “Board”) in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- ii. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- iii. To recommend to the Board on Remuneration payable to the Directors (Executive and Non-Executive), Key Managerial Personnel and Senior Management.
- iv. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- v. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- vi. To devise a policy on Board diversity.
- vii. To develop a succession plan for the Board and to regularly review the plan;

Constitution of the Nomination and Remuneration Committee:

The Board has constituted the “Nomination and Remuneration Committee” of the Board. This is in line with the requirements under the Act and Regulation. This Policy and the Nomination and Remuneration Committee Charter are integral to the functioning of the Nomination and Remuneration Committee and are to be read together. The Board has authority to reconstitute this Committee from time to time as required.

Definitions:

A. **Act** means the Companies Act, 2013 and SEBI (Listing Obligations and Disclosures Requirements) Regulation, 2015 and other applicable Law(s), Rule(s) and Regulation(s), if any Rules framed there under, as amended from time to time.

B. **Board** means Board of Directors of the Company.

C. **Company** means Mohit Paper Mills Limited.

D. **Directors** mean Executive and Non-Executive Directors of the Company.

E. **Key Managerial Personnel (KMP)** means

1. Chief Executive Officer or the Managing Director or the Manager;
2. Whole-time director;
3. Chief Financial Officer;
4. Company Secretary; and
5. such other officer as may be prescribed time to time as per Act and Regulation.

F. **Senior Management** means Senior Management means personnel of the company who are members of its core management team excluding the Board of Directors including Functional Heads.

Role of Committee:

Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee. The Committee shall:

- * Formulate the criteria for determining qualifications, positive attributes and independence of a director.
- * Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.
- * Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- * Reviewing the structure, size and composition of the Board, and making recommendations to the Board with regard to changes, if any
- * Evaluating the balance of skills, knowledge and experience of the Board and, in light of this evaluation, preparing a description of the roles and capabilities required for particular appointments.
- * Reviewing time required from each non-executive Director, and assessing whether he or she has given sufficient commitment to the role.
- * Considering succession planning taking into account the challenges and opportunities facing the Company, and what skills and expertise are needed from members of the Board in the future.
- * Ensuring that on appointment to the Board, the non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment.
- * Identifying persons who are qualified to become directors and who may be appointed in senior management and recommending to the Board their appointment and removal.
- * Formulating the criteria for determining qualifications, positive attributes and independence of a director.
- * Carrying out evaluation of the performance of the Board, individual directors and of the various board committees.

* For every appointment of an independent director, the 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. consider the time commitments of the candidates.

* recommend to the board, all remuneration, in whatever form, payable to senior management.

Matter shall be dealt with the Committee:

Devising a policy on Board diversity:

The committee recommending to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees. While formulating the policy, the committee must 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.
- iii. The remuneration of 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.
- iv. A significant proportion of executive Directors' remuneration is structured so as to link rewards to corporate and individual performance.
- v. Taking into account factors it deems relevant and gives due regard to the interests of shareholders and to the financial and commercial health of the Company.

Size and composition of the Board:

Periodically reviewing the size and composition of the Board as per applicable provisions of Act and Regulation to have an appropriate mix of executive and independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;

Evaluation of performance:

The Committee shall make recommendations to the Board on appropriate performance criteria for the Directors and also formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company or may engage with a third party facilitator in doing so. The committee Identify ongoing training and education/familiarization programs for the

Board to ensure that Non-Executive Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

Succession plans:

Establishing and reviewing Board, KMP and Senior Management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management.

Remuneration framework and policies:

The Committee is responsible for reviewing and making recommendations to the Board on:

- i. Remuneration of executive Directors to be presented for shareholders' approval including severance, if any.
- ii. Individual and total remuneration/fees of non-executive Directors and the chairperson (if nonexecutive),
- iii. the remuneration and remuneration policies for KMP and Senior Management including base pay, incentive payments, equity awards, retirement rights, severance pay if any and service contracts having regard to the need to:
 - a. attract and motivate talent to pursue the Company's long term growth;
 - b. demonstrate a clear relationship between executive compensation and performance;
 - c. be reasonable and fair, having regard to best governance practices and legal requirements and
 - d. balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals
- iv. the Company's incentive compensation and equity based plans including a consideration of performance thresholds and regulatory and market requirements;

Directors:

Formulate the criteria determining qualifications, positive attributes and independence of a Director and recommend candidates to the Board when circumstances warrant the appointment of a new Director, having regard to qualifications, integrity, expertise and experience for the position.

Policy for appointment and removal of Director, KMP and Senior Management:

i. Appointment criteria and qualifications:

- a) 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.
- b) 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.

c) The Company shall not appoint or continue the employment of any person as Managing Director or 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.

ii. Term / Tenure:

a) 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.

b) 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, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director or as per provisions of the act or regulation.

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. However, if a person who has already served as an Independent Director for 5 years or more in the Company as on specified date or such other date as may be determined by the Committee as per regulatory requirement; he/she shall be eligible for appointment for one more term of 5 years only. At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves is restricted to seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time Director of a listed company or such other number as may be prescribed under the Act

iii. Evaluation the Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

iv. 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.

v. 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.

Policy relating to the Remuneration for (Executive and Non-Executive Director) Managing Director/Whole-time Director/KMP and Senior Management Personnel:

A. General:

i) The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.

ii) The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Act.

iii) 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.

iv) 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.

B. Remuneration to (Executive Director) Whole Time Director/Managing Director, KMP and Senior Management Personnel:

i) 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.

ii) 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.

iii) 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.

C. Criteria of making payment to Non- Executive/Independent Director(s):

Pursuant to the Schedule V read with Regulation 34 (3) of Listing Regulations, requires every Company to publish its criteria of making payments to Non- Executive Directors in its annual report. Alternatively, as per Regulation 46 (2) of Listing Regulations, this may be put up on the Company's website and reference may be drawn thereto in its annual report. Section 197 of the Companies Act, 2013 and Regulation 17(6) (a) of Listing Regulations require the prior approval of the shareholders of a Company for making payment to its Non-Executive Directors ("NEDs").

However, the requirement of obtaining prior approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Act for payment of sitting fees without approval of the Central Government Accordingly, the following criteria is laid down for the Company. In keeping with the above, any fee/remuneration payable to the NEDs of the Company shall abide by the following:

Remuneration to Non- Executive / Independent Director:

1. Sitting Fees: The NEDs (which expression includes Independent Directors) 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 Rupees One lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time, in case Board gives its approval. On the recommendation of Committee the Board may decide to pay setting fees on selective basic.

2. Commission: Section 197 of the Companies Act, 2013 allows a Company to pay remuneration to its NEDs either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other. Further, the section also states that where the Company has either Managing Director or Whole-time Director or Manager, then a maximum of 1% of its net profits can be paid as remuneration to its NEDs. In case there is no managing director or whole-time director or manager, then a maximum of 3% of net profit can be paid. Thus, the basis of payment to the NEDs is the net profit of the Company.

3. Criteria for fee and commission: Within the parameters prescribed by the Act, the quantum of sitting fees and commission will be recommended by the Committee and approved by the Board of Directors of the Company. Overall remuneration (sitting fees and commission) should be reasonable and commensurate with the responsibilities, time spent in Board and Committee meetings by the NEDs. The aggregate commission payable to all the NEDs will be recommended by the NRC to the Board based on Company's performance, profits, return to investors, shareholder value creation and such other qualitative parameters.

4. Professional Fees: Under the Companies Act, 2013, Section 197 allows a Company to pay remuneration to its NEDs for services rendered by any such Director if:

a. The services rendered are of Professional nature;

b. In the opinion of Nomination and Remuneration Committee the Director possess the requisite qualification for the practice of the profession.

As per the provisions of Section 188 of the Companies Act, 2013, the Audit Committee and the Board of Directors of the Company shall approve the Professional fees to be paid to Non-Executive Director(s), and with the approval of the Shareholders wherever required.

5. Reimbursement of actual expenses incurred: The Non-Executive Directors are also entitled for reimbursement of expenses incurred for attending the Shareholders meetings, Board Meetings and Committee meetings thereof, induction and training (organised by the Company for Directors).

6. Refund of excess remuneration paid: If any Director draws or receives, directly or indirectly, by way of remuneration any such sums in excess of the prescribed limit or without approval required under Section 197, he/she shall refund such sums to the Company, within two years or such lesser period as may be allowed by the Company/Act and until such sum is refunded, hold it in trust for the Company. The Company shall not waive the recovery of any sum refundable to it unless approved by the Company by Special Resolution within two years from the date the sum becomes refundable.

7. Stock Options: As per the Regulation 17 of the Listing Regulations, the shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to Non-Executive Directors, in any in financial year and in aggregate. Provided that an Independent Director shall not be entitled to any stock options and may receive remuneration by way of fees and reimbursement of expenses for participation in meetings of the Board and other meetings and profit related commission as may be approved by the members. Amendments The Company reserves the right to modify and/or amend this document at any time subject to the applicable provisions the Act and Listing Regulations.

Membership:

i. The Committee shall consist of a minimum 3 non-executive directors, majority of them being independent.

ii. Minimum two (2) members shall constitute a quorum for the Committee meeting.

iii. Membership of the Committee shall be disclosed in the Annual Report.

iv. Term of the Committee shall be continued unless terminated by the Board of Directors.

Chairperson:

i. Chairperson of the Committee shall be an Independent Director.

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

iii. In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson.

iv. 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.

Frequency of Meetings:

The meeting of the Committee shall be held at such regular intervals as may be required under the provisions of the Act and Regulation.

Conclusion:

This Policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder and the requirements of Regulations. In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or regulations, then the provisions of the Act or regulations would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law. This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for their approval.
