ANDHRA PAPER LIMITED

NOMINATION AND REMUNERATION COMMITTEE CHARTER

1. Preamble:

1.1 The Nomination and Remuneration Committee ("the Committee") is constituted as per the provisions of Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (The LODR Regulations).

1.2 The role of the Committee shall include the following:

a) Formulation of the criteria for determining the qualifications, positive attributes and independence of a director;
b) Identifying the persons who are qualified to become Executive Directors, Non-Executive Directors and Independent Directors and recommend to the Board their appointment and removal. The Committee may act on its own in identifying potential candidates or may act upon the proposals submitted by the Chairman of Board of Directors of the Company;
c) To articulate the skill sets that are required for the Board, identify the gaps in the existing Board and ensure that these gaps are filled up at the time of appointment of new Directors;
d) Identifying persons who may be appointed in senior management and recommend to the Board their appointment and removal;

(For the purpose of this clause, Senior Management includes all members of the management one level below the Chief Executive Officer / Managing Director / Whole Time Director / Manager and shall specifically include Company Secretary and Chief Financial Officer)

e) Identification of Key Performance Indicators (KPIs) of MD& CEO and his direct reports and appraisal of MD & CEO and his direct reports against agreed KPIs and the corporate targets. The Chairman/Managing Director should provide a summary of the assessment and ratings of Direct Reports of Managing Director & CEO to the Committee for their information;
f) Recommend a policy relating to remuneration of Directors, Key Managerial Personnel and senior management. Remuneration of Directors shall include sitting fees to Non-Executive Directors and commission on profits and manner of distribution;
g) Recommend to the Board, all remuneration, in whatever form, payable to Senior Management;
h) Specify the manner for effective evaluation of performance of Board, its Committees and individual Directors to be carried out either by the Board or by the Committee itself or by an independent external agency and review its implementation and compliances;
i) Devising a policy on Board diversity;
j) Succession Planning; and
k) To determine retirement age for all Directors for having phased rotation of Directors to ensure continuity.

2. Membership:

2.1 The Members of the Committee are appointed by the Board and shall serve at the discretion of the Board. The Board may remove any Member from the Committee at any time with or without a cause.

2.2 The Committee shall comprise of at least 3 Directors all of whom shall be Non-Executive Directors and at least half of them shall be Independent Directors. Provided that the Chairperson/ Chairman & Managing Director of the Company (whether executive or non-executive) may be appointed as a Member of the Committee.

2.3 The Chairperson of the Committee shall be an Independent Director.

2.4 The Chairperson of the Committee appointed by the Board shall preside over all the meetings of the Committee. In his absence, the Members of the Committee may elect one of them as Chairperson by majority voting.

2.5 The quorum for a Meeting of Nomination and Remuneration Committee shall be either two Members or one-third of total strength of the Committee whichever is greater including at least one Independent Director in attendance.

3. Authority and Responsibilities:

3.1 The Committee has the authority to undertake the specific duties and responsibilities listed below and will have the authority to undertake such other specific duties as the Board may prescribe from time to time. Specific responsibilities of the Committee include:

3.1.2 Director Criteria:

To determine the qualifications, qualities, other positive attributes required to be a Director and to develop and recommend to the Board for its approval the criteria to be considered in selecting the nominees for Directorships.

3.1.3 Criteria for nomination to the Board of Directors of the Company:

a) The nominee should have high personal and professional integrity of as reflected in Company's Code of Business Conduct and Ethics;
b) The nominee should have demonstrated through specific experience or otherwise relevant knowledge, skills expertise, ability to make independent analytical enquiries understanding of business environment and willingness to devote adequate time and effort to Board responsibilities;
c) The nominees should be highly accomplished in their respective field with superior credentials and recognition;
d) In selecting nominees, the Committee may consider active and former CEOs of other public companies and leaders of major complex organizations including scientific, educational and other non-profit institutions;

e) The Committee in recognition of the fact that the Foundation of the Company is in pulp and paper, may also seek nominees who are widely recognized as leaders in the field of pulp and paper including those who have received most prestigious awards in their field;
f) The nominees should have relevant experience and be able to offer advise and guidance to the CEO based on that experience;
g) The nominees should have the ability to exercise sound business judgments; and
h) The nominee for CEO shall have the characteristics in the key areas of leadership as given in Annexure 1.

3.1.4 Attributes:

The Committee shall also determine the skills and positive attributes of the nominee. Suggested list of the positive attributes are given in Annexure – 2.

3.1.5 Board Diversity –

The Committee will factor into diversity while considering selection of nominees for directorships. Diversity enables bringing in widely varied perspectives and experiences to complex issues of strategy and performance monitoring and greater likelihood of the Board addressing the broad social impact of many business decisions. Companies Act, 2013 and LODR Regulations require that there shall be at least one Woman Director. Further, LODR Regulations require top 1,000 listed Companies by market capitalization to have at least one Independent Woman Director by April 1, 2020.

4.0 Appointment of Independent Directors:

4.1 The Committee while recommending the names of Independent Directors shall follow the provisions of Companies Act, 2013 and the LODR Regulations. The Committee shall ensure that the proposed nominee fulfils all the conditions laid down in Companies Act, 2013 and LODR Regulations and obtain a declaration from the proposed nominees that they meet all the criteria before recommending their names.

4.2 The Code/Guidelines of professional conduct, the role and functions and duties of Independent Directors are specified in Schedule IV of Companies Act, 2013 and the LODR Regulations. The same is attached as Annexure – 3. The Company and Independent Directors shall abide by the Code.

5. Determining the remuneration package of managerial personnel:

The Committee shall also consider and recommend the remuneration package of managerial personnel, viz. Executive Directors. The Committee while considering the remuneration package of managerial personnel shall take into account the financial position of the Company, trend in the industry, appointees qualification, experience, past performance, past remuneration etc.

The Committee should be in a position to bring about the objectivity in determining the remuneration package while striking the balance between the interests of the Company and the shareholders.

6. Remuneration Policy:

The Committee shall recommend a policy relating to remuneration of Key managerial personnel and senior management.

7. Director Evaluation:

The Committee shall develop the process for evaluation of Directors performance and carry out the evaluation of every Director.

The services of an independent agency may be utilized for the next few cycles for facilitating the evaluation of the performance of individual Director and effectiveness of Board.

8. Succession Plan:

The Committee shall be directly involved in succession planning for MD & CEO and senior management comprising of Senior Vice Presidents and above. The Management shall prepare the Succession Plan for Vice Presidents and other functional heads and place before the Committee for information. The Committee shall review the Succession Plan periodically with the CEO, develop and evaluate potential candidates for senior management positions and recommend to the Board any changes to and any candidates for succession under the Succession Plan.

9. Specific Powers of the Committee:

9.1 The Committee may conduct or authorize studies of matters within its scope of responsibility with full access to the books, records, facilities and personnel of the Company.

9.2 The Committee may at the expense of the Company, select and retain advisors to assist it in connection with its functions as it deems necessary or appropriate.

9.3 The Company shall provide for appropriate funding as determined by the Committee for payment of any advisor employed by the Company pursuant to this charter.

9.4 The Company shall pay the ordinary administrative expenses of the Committee which are necessary or appropriate for carrying out its duties.

10. Meetings:

10.1 The Committee shall meet at least two times in a year in conjunction with regular meetings of Board of Directors. Additional meetings of the Committee may be held from time to time as determined by the needs of the Board or the Committee. If the need arises, the Committee may also transact the business through approvals by way of Circular Resolutions.

10.2 The Meetings of Committee may be scheduled as under:

a) The first meeting closer to the Budget and planning exercise and once the budgets are finalized, KPIs can be determined for the MD and his Direct Reports;

b) The second meeting to review actuals against MIP targets; and

c) The Meetings of the Committee may be clubbed with Board Meetings, wherever possible.

10.3 The Committee shall ensure that the minutes of all its meetings are placed before the Board from time to time.

10.4 The Meetings of the Committee are governed by the same rules as applicable to the Board.

11. Compensation:

11.1 The Members of the Committee shall receive such fees, if any, for their services as the Committee Members as may be determined by the Board.

Annexure – 1

Key areas of Leadership

- Creating and Communicating a compelling business strategy
- Making things happen through people
- Leading and developing people
- Managing and leading change
- Ability to execute
- Being effective with customers

Annexure - 2

Skills and Attributes of a Nominee

Sl. No.	Skills	Experience	Attributes
1.	Practical wisdom and good judgment	Specialized knowledge in specific area	Highest personal and professional ethical standards and honesty.
2.	Financial literacy – ability to read and understand a financial statement	Detailed knowledge of the industry or relevant industrial experience	Integrity, independence and free from conflict of interest.
3.	Specialized professional skills viz. operations, finance, human resources, marketing, legal, corporate governance etc.	Expertise on global issues	An enquiring and independent mind.
4.	Director Education - a clear understanding of the role and duties of a director and knowledge of code of conduct and business ethics.	High visibility in the field	Commitment to improve business, its continued well-being and making a difference.
5.	Good interpersonal skills and ability to communicate clearly.	Leadership and Management experience	Willingness to represent the best interests of all stakeholders and objectively appraise the Board and Management performance.
6.	Decision Maker- explore options and choosing those that have the significant benefit to the organization and its performance.	International Experience	Critical analysis and Judgement.
7.	Risk Management	Personal networks and external contacts	Vision, imagination and foresight.
8.	Interpersonal sensitivity – a willingness to keep an open mind and recognize other perspectives.		Strategic perspectives, able to identify opportunities and threats.

Sl. No.	Skills	Experience	Attributes
9.	Ability to mentor other directors		Innovator – a willingness to challenge Management and their assumptions, stimulate Board discussion with new, alternative insights and ideas.
10.	Agility to move from advisor to challenger as well as being a strong supportive voice one needed.		Motivation – drive and energy to set and achieve clear objectives and make an impact.
11.	Advisory Skills		Clear personal commitment. Full participation and pro-active as a Board Member. Willingness to deal with tough issues. Maturity and discipline to know and maintain fine line between governance and management oversight.

Annexure - 3

CODE FOR INDEPENDENT DIRECTORS

The Code is a guide to professional conduct for Independent Directors. Adherence to these standards by Independent Directors and fulfilment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors.

I. Guidelines of professional conduct:

An independent director shall:

1) uphold ethical standards of integrity and probity;
2) act objectively and constructively while exercising his duties;
3) exercise his responsibilities in a bona fide manner in the interest of the Company;
4) devote sufficient time and attention to his professional obligations for informed and balanced decision making;
5) not allow any extraneous considerations that will vitiate his exercise of objective independent judgment in the paramount interest of the Company as a whole, while concurring in or dissenting from the collective judgment of the Board in its decision making;
6) not abuse his position to the detriment of the Company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
7) refrain from any action that would lead to loss of his independence;
8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
9) assist the Company in implementing the best corporate governance practices.

II. Role and functions:

The independent directors shall:

1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
2) bring an objective view in the evaluation of the performance of board and management;
3) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;

4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
5) safeguard the interests of all stakeholders, particularly the minority shareholders;
6) balance the conflicting interest of the stakeholders;
7) 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
8) moderate and arbitrate in the interest of the Company as a whole, in situations of conflict between management and shareholder's interest.

III. Duties :

The Independent Directors shall—

1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the Company;
2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the Company;
3) strive to attend all meetings of the Board of Directors and of the Board Committees of which he is a Member;
4) participate constructively and actively in the Committees of the Board in which they are chairpersons or Members;
5) strive to attend the general meetings of the Company;
6) where they have concerns about the running of the Company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
7) keep themselves well informed about the Company and the external environment in which it operates;
8) not to unfairly obstruct the functioning of an otherwise proper Board or Committee of the Board;
9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the Company;
10) ascertain and ensure that the Company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
11) report concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct or ethics policy;
12) act within their authority, assist in protecting the legitimate interests of the Company, shareholders and it employees;
13) not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

IV. Manner of appointment:

1) Appointment process of independent directors shall be independent of the Company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
2) The appointment of independent director(s) of the Company shall be approved at the meeting of the shareholders.
3) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made thereunder and that the proposed director is independent of the management.
4) The appointment of independent directors shall be formalized through a letter of appointment, which shall set out :

    a) the term of appointment;
    b) the expectation of the Board from the appointed director; the Board-level Committee(s) in which the director is expected to serve and its tasks;
    c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
    d) provision for Directors and Officers (D and O) insurance, if any;
    e) the Code of Business Ethics that the Company expects its directors and employees to follow;
    f) the list of actions that a director should not do while functioning as such in the Company; and
    g) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.

5) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the Company by any Member during normal business hours.
6) The terms and conditions of appointment of independent directors shall also be posted on the Company's website.

V. Re-appointment:

The re-appointment of independent director shall be on the basis of report of performance evaluation.

VI. Resignation or removal:

(1) The resignation or removal of an independent director shall be in the same manner as is provided in Sections 168 and 169 of the Act.
(2) An independent director who resigns or is removed from the Board of the Company shall be replaced by a new independent director at the earliest but not later than the immediate next meeting of the board of directors or three months from the date of such vacancy, whichever is later.

(3) Where the Company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

VII. Separate meetings:

(1) The independent directors of the Company shall hold at least one meeting "in a financial year", without the attendance of Non-Independent Directors and Members of management;
(2) All the independent directors of the Company shall strive to be present at such meeting;
(3) The meeting shall:

(a) review the performance of non-independent directors and the Board as a whole;
(b) review the performance of the Chairperson of the Company, taking into account the views of executive directors and non-executive directors;
(c) 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.

VIII. Evaluation mechanism:

(1) The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
(2) On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

Note: The provisions of sub-paragraph (2) and (7) of paragraph II, paragraph IV, paragraph V, clauses (a) and (b) of sub-paragraph (3) of paragraph VII and paragraph VIII shall not apply in the case of a Government Company as defined under clause (45) of section 2 of the Companies Act,2013 (18 of 2013), if the requirements in respect of matters specified in these paragraphs are specified by the concerned Ministries or Departments of the Central Government or as the case may be, the State Government and such requirements are complied with by the Government companies.