

NEULAND LABORATORIES LIMITED

Nomination and Remuneration Policy

1. BACKGROUND

This nomination and remuneration committee policy (“**Policy**”) is in pursuance to the provisions of Section 178 of the Companies Act, 2013 and SEBI (Listing Obligations & Disclosure Requirements), Regulation 2015 as amended from time to time (“**SEBI Listing Regulations**”) to ensure the payment of equitable and competitive remuneration to Directors, Key Managerial Personnel and employees of the Company which is based on individual performance, Company’s benchmark, Industry practices and performance of the Company as a whole.

The Nomination and Remuneration Committee (“**the Committee**”) has considered the factors laid down under Section 178 of the Act and SEBI Listing Regulations, while formulating the Policy as under:

- a) 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.
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

This Policy has been approved by the Board of Directors at their meeting held on November 10, 2022 and shall be effective immediately, superseding the earlier Policy of the Company.

2.1 OBJECTIVE

The objective and purpose of this Policy is:

- 2.1 To guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management.
- 2.2 To lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive and Non-executive including Independent Directors), Key Managerial Personnel and persons who may be appointed in senior management positions.
- 2.3 To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board.
- 2.4 To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 2.5 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.
- 2.6 To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 2.7 To assist the Board in fulfilling its responsibilities.
- 2.8 To lay down approach for Board diversity.
- 2.9 To ensure compliance with the Companies Act, 2013 and rules made thereunder (the “Act”), and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the SEBI Listing Regulations”).

3. APPLICABILITY

This policy is applicable to the following:

- i. Directors (Executive and Non-Executive);
- ii. Key Managerial Personnel (not being a Director); and
- iii. Senior management personnel.

4. DEFINITIONS

4.1 Act means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

4.2 Board means Board of Directors of the Company.

4.3 Company means Neuland Laboratories Limited.

4.4 Director(s) mean directors of the Company.

4.5 Executive Director means a director who is appointed as whole-time director or managing director of the Company under the Act.

4.6 Key Managerial Personnel (KMP) means
Chief Executive Officer or the Managing Director or the Manager;
Whole-time director;
Chief Financial Officer;
Company Secretary;
such other officer, not more than one level below the Directors who is in whole-time employment, designated as Key Managerial Personnel by the Board; and
such other officer as may be prescribed.

4.7 Non-Executive Director means a director who is not an Executive Director and includes Independent Director.

4.8 Independent Director means a non-Executive Director, other than a nominee Director of the Company:

- a. who, in the opinion of the Board, is a person of integrity and possesses relevant expertise and experience;
- b. (i) who is or was not a Promoter of the Company or its holding, subsidiary or associate Company;
(ii) who is not related to promoters or Directors in the Company, its holding, subsidiary or associate Company;
- c. who has or had no pecuniary relationship, other than remuneration as such director or having transaction not exceeding ten per cent. of his total income or such amount as may be prescribed, with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;

d. none of whose relatives –

- i. is holding any security of or interest in the company, its holding, subsidiary or associate company during the two immediately preceding financial years or during the current financial year:

Provided that the relative may hold security or interest in the company of face value not exceeding fifty lakh rupees or two per cent. of the paidup capital of the company, its holding, subsidiary or associate company or such higher sum as may be prescribed;

- ii. is indebted to the Company, its holding, subsidiary or associate company or their promoters, or directors, for an amount of fifty lakhs rupees or more, at any time or such amount as may be prescribed during the two immediately preceding financial years or during the current financial year;
- iii. has given a guarantee or provided any security in connection with the indebtedness of any third person to the Company, its holding, subsidiary or associate company or their promoters, or directors of such holding company, for an amount of fifty lakhs rupees or more, at any time or such amount as may be prescribed during the two immediately preceding financial years or during the current financial year; or
- iv. has or had any other pecuniary transaction or relationship with the Company, or its subsidiary, or its holding or associate company or their promoters, or directors amounting to two per cent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed, referred to in subwhichever is lower, singly or in combination with the transactions clause (i), (ii) or (iii) during the two immediately preceding financial years or during the current financial year;

e. who, neither himself nor any of his relatives –

- i. holds or has held the position of a key managerial personnel or is or has been employee of the company or its holding, subsidiary or associate company in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed;

Provided that in case of a relative who is an employee, the restriction under this clause shall not apply for his employment during preceding three financial years

- ii. is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of –
 - A. a firm of auditors or company secretaries in practice or cost auditors of the company or its holding, subsidiary or associate company; or
 - B. any legal or a consulting firm that has or had any transaction with the company, its holding, subsidiary or associate company amounting to ten per cent. or more of the gross turnover of such firm;
- iii. holds together with his relatives two per cent. or more of the total voting power of the company; or
- iv. is a Chief Executive or director, by whatever name called, of any nonprofit organisation that receives twenty-five per cent. or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds two per cent. or more of the total voting power of the company; or
- v. is a material supplier, service provider or customer or a lessor or lessee of the Company;

- f. who is not less than 21 years of age
- g. possesses appropriate skills, experience and knowledge in one or more fields of pharma, finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Company's business.
- h. is not a non-independent director of another company on the board of which any non-independent director of the Company is an independent director.
- i. such other conditions as may be prescribed under the applicable statutory provisions / regulations from time to time.

4.8 Senior Management means personnel of the company who are members of its core management team, i.e., senior vice president and above, excluding the Board of Directors, one level below the Executive Directors and including Chief Financial Officer and Company Secretary.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined under the Act and the SEBI Listing Regulations as amended from time to time shall have the meaning respectively assigned to them therein.

5. Policy for appointment and removal of Director, KMP (not being a Director) and Senior Management

5.1 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 (not being a Director) 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 comply with the requirements as laid down in the Act and SEBI Listing Regulations with regard to appointment of an Executive Director.

5.2 Term / Tenure

a) Executive Director

The Company shall comply with the laws and regulations, as applicable at the time of appointment or reappointment of Executive Director.

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. 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.

At the time of appointment of Independent Director, it shall be ensured that number of Boards on which such Independent Director serves is as may be prescribed under the Act and / or the SEBI Listing Regulations.

The Company shall comply with the laws and regulations, as applicable at the time of appointment or reappointment of Independent Director.

For 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

5.3 During the term of the office, every director shall:

- 1. uphold ethical standards of integrity and probity;
- 2. act objectively and constructively;
- 3. exercise responsibilities in a bona-fide manner in the interest of the Company;
- 4. shall be free from any disqualifications as stipulated under the Act as well as the Listing Regulations;
- 5. shall be able to devote sufficient time and efforts in discharge of duties and responsibilities effectively.

Additionally, the terms and conditions of an Independent Directors shall be as per the Terms of Appointment of Independent Director issued at the time of appointment.

5.4 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 (not being a Director) or Senior Management, subject to the provisions and compliance of the said Act, rules and regulations.

5.5 Retirement

The Directors, KMP (not being a Director) 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 (not being a Director), Senior Management personnel in the organization / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company, in accordance with applicable laws.

5.6 Policy relating to the Remuneration of Executive Director(s), Senior Management and other employees

The Remuneration Policy of the Company is primarily based on the following:

- Performance of the Company, its units and facilities
- Performance and potential of individual managers, and,
- External competitive environment.

General

a. The remuneration/compensation/commission, etc., to the Executive Directors, KMP (not being a Director) and Senior Management will be determined by the Committee and recommended to the Board for approval at the time of appointment. The remuneration /compensation / commission etc. of the Executive Director(s) shall be subject to the approval of the shareholders of the Company in the ordinary course of business. In the event of any delay in securing such approval of the shareholders, the Company shall secure such approval by way of ratification by the shareholders.

b. The remuneration and commission to be paid to the Executive Directors shall be in accordance with the provisions of the Act.

c. Increments to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which would be within the limits approved by the Shareholders in the case of Executive Directors and as per the Policy of the Company in case of others.

d. Where any insurance is taken by the Company on behalf of its Executive Directors, 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.

e. For the purpose of determining remuneration (based on profitability of the Company), the evaluation criteria of the executive and Non-Executive Directors are as outlined below:

- 1) Executive Directors:
 - 1.1 Financial metrics such as profitability; and
 - 1.2 Non-financial metrics covering aspects such as health, brand building, compliance, quality and sustainability of operations of the organization, as may be agreed upon from time to time with the Company.

- 2) Non-Executive Directors:
 - 2.1 Level of engagement, independence of judgment, etc. and their contribution in enhancing the Board's overall effectiveness;
 - 2.2 The Non-Executive Directors remuneration shall be benchmarked with similar organizations; and
 - 2.3 Participation in the Committees (either as Chairperson or member) and the Board meetings.

Remuneration to Executive Directors

a. Fixed pay: The Executive Directors, 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 provident fund 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 subject to the approval of shareholders and Central Government, if any required.

b. Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Executive Directors, in accordance with the provisions of the Act and SEBI Listing Regulations, as may be applicable.

c. Provisions for excess remuneration: If any Executive 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 appropriate approvals, the Committee shall recommend the due course of action to the Board as and when required.

Remuneration to Non-Executive Directors

a. Remuneration / Commission: The remuneration / commission shall be fixed as per the limits and conditions mentioned under the Act and / or SEBI Listing Regulations. In addition, a Non-Executive Non-Independent Director may also receive professional fee, on a case to case basis, subject to approvals if any required.

b. Sitting Fees:

The Non-Executive Directors may receive sitting fees for attending meetings of the Board or a committee thereof, as approved by the Board and in the event such fees exceeds the amount as may be prescribed by the Central Government or any regulatory authority, shareholders' approval shall be sought for such increase.

c. Commission: Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Act.

d. Stock Options: An Independent Director shall not be entitled to any stock option of the Company.

Remuneration to Senior Management and employees of the Company

The remuneration for the Senior Management and employees of the Company will be guided by external competitiveness and internal parity through benchmarking surveys from time to time. The remuneration structure can be either fixed or combination of fixed and variable components, fixed component comprising of salary, allowances, perquisites, provident fund, etc., and variable component comprising of an amount linked to performance of the individual employee and the Company as a whole. In addition to this the Company may also grant stock options, pursuant to which, equity shares of the Company may be offered and allotted to the employees as per the approved employee stock option scheme.

Internally, performance ratings of all employees would be carried out based on the Performance Management System followed by the Company. The rating obtained by an employee will determine his / her total compensation.

Compensation can also be determined based on identified skill sets critical to success of the Organization. It will be determined as per the market demand and supply, industry benchmark etc.

The compensation to the Senior Management shall be recommended by the Committee to the Board.

The Company shall be responsible for implementing various policies for internal benchmarking, compensation and performance management system, in accordance with this Policy and applicable law. It will also be responsible for presenting employee stock option scheme, if any, to the Committee /Board for their approval.

Performance Evaluation Process - Performance Management System

In line with the mandates under Companies Act, 2013 read with the SEBI Listing Regulations, the Committee shall provide parameters for effective evaluation of performance of Board, its committees and Directors, including independent directors, to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance.

The evaluation of employees of the Company including Senior Management, KMP's (not being a Director) shall be as per the annual performance evaluation policy of the Company from time to time following the below mentioned principles:

- Aligning Organization objectives to individual goals
- Fair and transparent assessment of performance
- Recognizing and rewarding performance
- Differentiating high performance
- Understanding and developing of current and future competencies

6. DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY

All directors and officers (including Key Managerial Personnel) of the Company would be covered by the requisite Directors and Officers Liability Insurance Policy.

7. BOARD DIVERSITY

Neuland recognises the importance of diverse and inclusive workplace, which is also applied in the composition of the Board. Diversity encompasses diversity of perspective, experience, education, background, gender, ethnicity and personal attributes. No person shall be discriminated against on grounds of religion, race, gender, pregnancy, childbirth or related medical conditions, national origin or ancestry, marital status, age, sexual orientation or any other personal or physical attribute which does not speak to such person's ability to perform as a Board member.

The Board of Directors shall have an optimum combination of Directors with diverse experience, expertise and skillset in varied areas, fields and/or functions as may be considered appropriate by the Board.

The Board shall endeavour to have at least one member who has expertise in the areas of financial matters, risk management, cyber security and sustainability and shall have at least one woman-member on the Board.

8. AMENDMENT

The Committee will review this policy periodically and recommend appropriate revisions to the Board.

Any statutory amendment in SEBI Listing Regulations and / or Companies Act, 2013 and any other applicable laws / regulations, if any, shall be deemed to be included in the Policy and the Company shall be governed by it. The Committee shall amend or modify this Policy in whole or in part, as required at any time and such amendment/modification shall be effective from the date that the Board may approve /notify in this behalf.