

**Cadila Pharmaceuticals Limited**  
**Nomination and Remuneration**  
**Policy**

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## 1. **PURPOSE**

The primary function of the Nomination and Remuneration Committee (the ‘Committee’) is to govern the appointment, remuneration and evaluation of performance of directors (including independent directors), Key Managerial Personnel and other Senior Management of the Company.

The terms Director, Key Managerial Personnel and Senior Management shall have the meaning ascribed to them under the Companies Act, 2013 (“the Act”) and are re-produced as under:

**Director** means a director appointed to the Board of a company

**Key Managerial Personnel**, in relation to a company, means—

- (i) the Chief Executive Officer or the managing director or the manager; and in their absence, whole-time director;
- (ii) the company secretary;
- (iii) the Chief Financial Officer; and
- (iv) such other officer as may be prescribed;

**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, including the functional heads.

The purpose of this Policy is to lay down guidelines to enable the Committee execute its role and responsibilities. This Policy and the Committee shall be further governed by the provisions of Section 178 of the Companies Act, 2013 and other statutory provisions governing the matter.

## **2. COMPOSITION OF THE COMMITTEE AND OTHER MATTERS**

### **2.1 Composition**

The Nomination and Remuneration Committee shall consist of three or more non-executive directors out of which not less than one-half shall be independent Directors as members.

The Chairperson of the Company (whether executive or non-executive) may be appointed as a member of the Committee but shall not chair the Committee.

The Committee may choose to invite such management personnel or external invitees, as it considers necessary or desirable in pursuing its mandate.

The Committee comprises of the following members:

1. Mr. Girdhar Balwani
2. Mrs. Parul Shah
3. Mr. Manvantkumar Rami

### **2.2 Appointment and Removal of Committee Members**

Each member of the Committee shall be appointed by the Board and shall serve as a member of the Committee in accordance with the terms determined by the Board or till ceasing to be a member of the Board whichever is earlier. The Board may fill a vacancy in the membership of the Committee within reasonable time to fulfill the minimum requirement of members as per the Companies Act, 2013.

### **2.3 Chairperson**

At the time of appointment of the members of the Committee, the Board shall also appoint a Chairperson who will be an independent Director. The Chairperson shall be a member of the Committee and shall preside over all meetings, coordinate the Committee's compliance with its mandate, work with management to develop the meeting agendas, annual work-plan, and provide reports of the Committee to the Board.

### **3. MEETINGS AND OTHER MATTERS**

#### **3.1 Meetings**

The members of the Committee shall hold meetings at such periodicity as are required to carry out its mandate. One annual meeting shall be held every year at the time of determining the final compensation package for the previous year in relation to the Directors, Key Managerial Personnel and Senior Management of the Company.

The Chairperson shall preside over all Committee meetings, and in the absence of the Chairperson, the members of the Committee present may appoint a chairperson from their number for a meeting.

#### **3.2 Secretary and Minutes**

The Company Secretary shall act as the Secretary for the Committee meetings. Minutes of the meetings shall be recorded and maintained by the Company Secretary and subsequently presented to the Committee for approval.

#### **3.3 Quorum**

The presence of one-third or two members of the Nomination and Remuneration Committee, whichever is higher, shall constitute a quorum.

#### **3.4 Access to Management and Outside Advisors**

The Committee shall have unrestricted access to management and employees of the company. The Committee shall have the authority to retain and terminate consultants or advisors to assist it in fulfilling its responsibilities and to set and pay the compensation of such advisors.

### **4 ROLE AND RESPONSIBILITIES – NOMINATION**

The responsibilities of the Committee are as follows:

- i. Review and recommend to the Board the size and composition of the Board, including review of Board Succession Plans and other Key Management Personnel and Senior Management.

- ii. Review and recommend to the Board the criteria for Board membership, including assessment of necessary and desirable competencies of Board members.
- iii. Assist the Board as required to identify individuals who are qualified to become Board members (including in respect of executive directors), in accordance with the policy outlined in Clause 5.
- iv. Review and recommend to the Board, membership of the Board including recommendations for appointment and re-election of directors and where necessary propose candidates for consideration by the Board, subject to the principle that a Committee member must not be involved in making recommendations to the Board in respect of themselves.
- v. Assist the Board as required in relation to the performance evaluation of the Board, its Committees and individual Directors and in developing and implementing plans for identifying, assessing and enhancing director competencies.
- vi. Review and make recommendations in relation to any Corporate Governance issues as requested by the Board from time to time.
- vii. Review the Board policy on a periodic basis, and recommend any amendments for Board consideration.
- viii. Review the time expected to be devoted by non-executive directors in relation to the Company's affairs.
- ix. Ensure that an effective induction process is in place for any newly appointed Director and regularly review its effectiveness.
- x. Review and recommend the performance evaluation criteria of the Board and suggest amendments, as may be required from time to time.

## **5. PROCEDURE FOR SELECTION AND APPOINTMENT OF NEW DIRECTORS**

i. A) Factors/criteria to be considered when reviewing a potential candidate for Board appointment include without limitation:

- the skills, experience, expertise and personal qualities that will best complement Board effectiveness;
- the capability of the candidate to devote the necessary time and commitment to the role. This involves a consideration of matters such as other Board or executive appointments;
- potential conflicts of interest and independence
- The candidate should have served as a Director of a company functioning in the same industry or having a turnover of more than 100 crore for a period of at least 3 years
- The candidate should not have been disqualified from being appointed as a Director of a company in accordance with provisions of the Act
- The candidate should comply with all requirements as prescribed by the Act for appointment as Director, viz DIN, consent to act as Director etc.

B) Factors/criteria to be considered while reviewing the appointment of a potential candidate as senior management personnel of the company:

- Experience in the industry and educational and professional qualifications. The candidate should have an experience of atleast 15 years in the industry;
- Skills to address the responsibilities of the job; and
- Potential conflict of interest and independence, if appointment considered for a key management position of the company
- If an internal employee is considered for appointment as a senior management employee of the Company, the following factors shall be considered:

i. Experience and performance with the company

- ii. Ability and expertise to handle the proposed role and responsibilities
- ii. Detailed background information in relation to a potential candidate should be provided to all directors.
- iii. The identification of potential Director candidates may be assisted by the use of external search organisations as may be considered appropriate. The Committee may also consider candidates
- iv. An offer of a Board appointment must be made by the Chairperson only after having consulted all directors, with any recommendations from the Committee having been circulated to all directors.
- v. All new Board appointments should be confirmed by letter in a format as approved by the Board or the Committee from time to time.

## **6. APPOINTMENT OF WOMAN DIRECTOR**

In accordance with provisions of the Act, there shall be appointed a Woman Director on the Board of the Company. Such director shall be a person of repute having relevant experience and qualifications in the industry.

In case of vacancy due to resignation/death, the Committee will recommend a candidate for appointment. The appointment process shall be completed in a maximum period of 180 days.

## **7. ROLE AND RESPONSIBILITIES – REMUNERATION**

The responsibilities of the Committee are as follows:

- i. Review and recommend arrangements for the Executive Directors including contract terms, annual remuneration and participation in the Company's short and long-term incentive plans.



- ii. Review and recommend remuneration arrangements for Senior Management (i.e., the Executives reporting to the Managing Director) including contract terms, annual remuneration and participation in the Company's short and long term incentive plans.
- iii. Review major changes and developments in the Company's remuneration, recruitment, retention and termination policies and procedures for Senior Management, remuneration policies, human resource practices and employee relations strategies for the Company.
- iv. Review the Senior Management performance assessment processes and the annual results of those assessments.
- v. Review and approve short-term incentive strategy, performance targets and bonus payments.
- vi. Review and recommend to the Board major changes/developments to the Company's ESOP Plans.
- vii. Recommend whether offers are to be made under any or all of the Company's ESOP plans in respect of a financial year.
- viii. In respect of the Company's ESOP plans in place from time to time:
  - review and determine the performance hurdles applicable to the executive directors and Senior Management;
  - review and approve the proposed terms of and authorize the making of offers to eligible employees of the Company including determining the eligibility criteria applying in respect of an offer, in respect of a financial year;
  - review and approve, within the parameters of the plans, amendments to the terms of existing plans;

- administer the operation of the plans, including but not limited to determining disputes and resolving questions of fact or interpretation concerning the various plans.
- ix. Review and recommend to the Board the remuneration arrangements for the Chairman and the Non-Executive Directors of the Board, including fees, Commission, travel and other benefits.
- x. Be satisfied that the Board and management have made available to them sufficient information and external advice to ensure informed decision-making regarding remuneration.

## **8. REMUNERATION POLICY**

- i. In discharging its responsibilities, the Committee must have regard to the following Policy Objectives:
  - 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 incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.
- ii. In the discharge of the Committee's responsibilities, no director or executive should be directly involved in determining their own remuneration.

- iii. The Committee must at all times have regard to and notify the Board as appropriate of all legal and regulatory requirements, including any shareholder approvals which are necessary to obtain.
- iv. The Committee Chairperson or if they are not available, a Committee member should attend the Annual General Meeting and make themselves available to answer any questions from shareholders about the Committee's activities or if appropriate, the Company's remuneration arrangements.
- v. The Directors shall be paid sitting fees of INR 60,000 for each Board/Committee meeting attended. Provided that the sitting fees paid to the Independent Directors and Woman Director shall be in accordance with provisions of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014
- vi. Further, the Directors may also be paid remuneration by way of commission on the profits of the Company, subject to provisions of Section 197 of the Act
- vii. The Independent Directors may also be reimbursed incidental expenses for attending meetings of the Board of Directors or Committee thereof.
- viii. The Committee may also take into account the performance of Directors, measured in accordance with the performance evaluation criteria as adopted by the Board, while recommending remuneration for the Directors.

## **9. REVIEW**

The Board will once in each year, assess the adequacy of this Policy and make any necessary or desirable amendments to ensure it remains consistent with the Board's objectives, current law and best practice.

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