



# Divi's Laboratories Limited

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## NOMINATION AND REMUNERATION POLICY

### 1. INTRODUCTION

The company would require the services of several staff, executives, managers and directors for conducting its business. The company is into development and manufacture of active pharma ingredients and Nutraceuticals. The company has several functional areas such as Research & Development, QC/Analytical Labs, Manufacturing, Projects, Maintenance, Sales, Marketing, Logistics, Procurement, Accounting, Finance, Taxation, Secretarial, Personnel, Administration, Legal, Regulatory Compliances etc.

### 2. OBJECTIVE AND PURPOSE OF THE POLICY

In pursuance of the Company's policy to consider human resources as its invaluable assets, to pay equitable remuneration to all Directors, Key / Senior Management Personnel, executives and staff of the Company, to harmonize the aspirations of human resources consistent with the goals of the Company and in terms of the provisions of the Companies Act, 2013 ("the Act") and the listing agreement as amended from time to time, this policy on nomination and remuneration of Directors, Key / Senior Managerial Personnel has been formulated by the company:

- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- To ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the Pharma industry besides qualifications, skills, capabilities etc.,
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

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### 3. CRITERIA FOR DETERMINING QUALIFICATIONS, POSITIVE ATTRIBUTES AND INDEPENDENCE OF DIRECTORS

The Nomination and Remuneration Committee ("the Committee"), along with the Board, reviews on an annual basis, appropriate skills, characteristics and experience required of the Board as a whole and its individual members. 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 operations and to ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

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.

- Should possess adequate qualification, knowledge, skills 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.

#### **Positive attributes**

- Possessing highest level of personal and professional ethics, integrity, values
- Willingness to learn and contribute
- Commitment and Compliances to various regulations
- Capability to make well informed and good decisions
- Ability to listen, to make critical assessment and judgement
- Having courage, openness, honesty and tact

#### **Independence of Directors**

Independence refers to the avoidance of being unduly influenced by a vested interest and to being free from any constraints that would prevent a correct course of action being taken. Members of the Board and key executives should be required to disclose to the board whether they, directly, indirectly or on behalf of third parties, have a material interest in any transaction or matter directly affecting the company.

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The Board and top management should conduct themselves so as to meet the expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information in order to foster a culture for good decision-making.

The Nomination and remuneration Committee shall assess the independence of Directors at the time of appointment/ re-appointment. The Board shall assess the same annually by taking appropriate disclosure from the Directors. Independent Directors should satisfy the requirements of the Companies Act, 2013 and Clause 49 of the Listing Agreement with respect to independence of directors. Independent Directors should be capable of exercising independent judgement to tasks where there is a potential for conflict of interest.

## **4. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTORS, KMP AND SENIOR MANAGEMENT**

### **4.1 Appointment criteria and qualifications**

**4.1.1)** The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or Senior Management Personnel and recommend his / her appointment to the Board.

**4.1.2)** The Committee shall consider the expertise of the director in managing significant risks that may directly or indirectly affect the organization. Examples include:

- Regulatory and legal requirements
- Concentrations (e.g., suppliers and customers)
- Market and competitive trends
- Financing and liquidity needs
- Financial exposures
- Business Continuity
- Organisation reputation
- Strategy execution
- Management capabilities
- Management override
- Fraud control
- Organisation pressures, including “tone at the top”

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- 4.1.3)** The Company shall not appoint or continue the employment of any person as 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.
- 4.1.4)** The Company should ensure that the person so appointed as Director/ Independent Director, KMP, Senior Management Personnel shall not be disqualified under the Companies Act, 2013, rules made there under, Listing Agreement or any other enactment for the time being in force.
- 4.1.5)** The Director/ Independent Director/Senior Management Personnel/KMP shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder, Listing Agreement or any other enactment for the time being in force.

## **4.2 Term/ Tenure**

### **4.2.1) Managing Director/Whole-time Director:**

The Company shall appoint or re-appoint any person as its Executive Chairman, Managing Director or Whole-time 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.

### **4.2.2) 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.

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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.

The company shall familiarize the independent directors with the company, including their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc., through various programs.

## **4.3 Evaluation**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular intervals (half-yearly/yearly).

## **4.4 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 or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.

## **4.5 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. However, the Board will have the discretion to retain the services of any Director, KMP, Senior Management Personnel in any capacity even after attaining the retirement age, for the benefit of the Company.

## **5. POLICY ON REMUNERATION OF DIRECTORS, KEY MANAGERIAL PERSONNEL AND OTHER EMPLOYEES**

### **5.1. APPLICABILITY**



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This Remuneration Policy shall continue to guide all future employment of Directors, Company's Senior Management including Key Managerial Personnel and other employees.

Any deviation from the policy can be undertaken only with the approval of the Board of Directors, subject to the prior/post approval of the shareholders of the Company and the Central Government, wherever required.

## **6. POLICY**

### **6.1 General:**

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"), executives and other employees of the Company.

- 6.1.1)** The remuneration to the Whole-time Directors, KMPs and Senior Management Personnel will be determined by the Nomination and Remuneration Committee ("the committee") and recommended to the Board for approval. The remuneration shall be subject to approval of the shareholders of the Company and the Central Government, wherever required.
- 6.1.2)** The remuneration and commission to be paid to the Whole-time Director shall be within the percentage/ slabs/ceiling/ conditions as laid down in the Articles of Association of the Company and as per the provisions of the Act.
- 6.1.3)** Increments and/or revision to the existing remuneration/ compensation structure may be recommended by the Committee to the Board which should be within the slabs/ ceiling/ approved by the Shareholders in the case of Whole-time Directors.
- 6.1.4)** 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.

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## **6.2 Remuneration to Whole-time / Executive / Managing Director:**

The term of office and remuneration of Whole Time Directors are subject to the approval of the Board of Directors, shareholders and the limits laid down under the Companies Act from time to time.

### **a) 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.

### **b) Perquisites, Allowances and other benefits:**

In addition to the fixed pay, they shall also be eligible for any perquisites and allowances including company's contribution to Provident Fund, pension scheme, superannuation fund, rent free furnished accommodation or house rent allowance in lieu thereof, medical expenses, mediclaim/personal accident insurance, club fees, ex-gratia, rewards, incentives, gratuity and other retirement benefits etc., as may be decided and approved by the Board/ the Person authorized by the Board on the recommendation of the Committee; within the overall limits as approved by the shareholders and Central Government, wherever required.

### **c) 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 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

### **d) 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.

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## **6.3 Remuneration to Non- Executive / Independent Director:**

### **a) Sitting Fees:**

The Non- Executive / Independent Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof as approved by the Board. Provided that the amount of such fees shall not exceed Rs. One Lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

### **b) Remuneration:**

Any remuneration to the non-executive / Independent directors shall be, as approved by the Committees, the Board and members of the company; and subject to the slabs and conditions mentioned in the Articles of Association of the Company and the Act.

### **c) Stock Options:**

An Independent Director shall not be entitled to any stock option of the Company.

## **6.4 Remuneration to KMP and Senior Management Personnel:**

Appointment of KMP & Senior Management Personnel (one level below the Board) and cessation of their service are subject to the approval of the Nomination & Remuneration Committee and the Board of Directors. Remuneration of KMP and other senior management personnel is approved by the Chairman & Managing Director (CMD) on the recommendation of the Management, and any Committee of the Board as may be required, broadly based on the Remuneration Policy. Total remuneration broadly comprises of:

### **a) Fixed pay:**

The 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.





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## **b) Perquisites, Allowances and other benefits:**

Perquisites and allowances such as contribution to PF, pension, superannuation fund, medical expenses, mediclaim/personal accident insurance, gratuity, etc., as per the rules of the Company.

## **c) Motivation /Reward:**

A performance appraisal is carried out periodically and promotion / revision / increment/ reward/ incentives / ex-gratia are approved by the Chairman and Managing Director, based on the appraisal and recommendation of the Management as per the company's policies and practices.

## **d) Severance payments:**

In accordance with terms of employment and applicable statutory requirements, if any.

## **6.5 Executives and other employees**

The remuneration of Executives and other employees is fixed by the Management of the company from time to time as per objectives of this policy and considering industry standards, individual's contribution and capabilities and cost of living etc. In addition to basic salary and allowances, the employees may also be provided rewards/ incentives/ bonus / perquisites and retirement benefits as per schemes of the Company and statutory requirements, where applicable.

## **7. DISCLOSURE**

Information on the total remuneration of members of the Company's whole-time and other Directors and key managerial personnel/senior management personnel may be disclosed in the Company's annual financial statements as per statutory requirements.

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