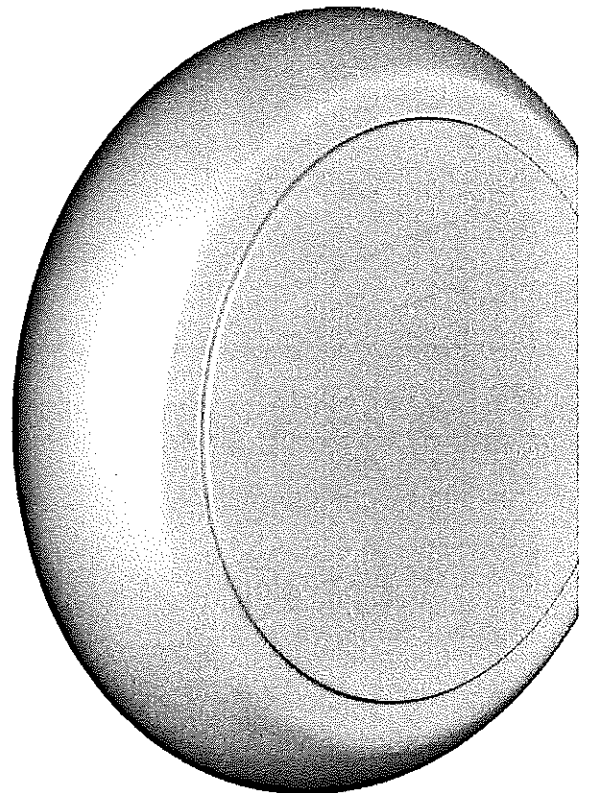




**Aarti Pharmed Labs Limited**

# **Nomination and Remuneration Policy**

**Compliance Department**



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**Policy effective from: January 30, 2023**

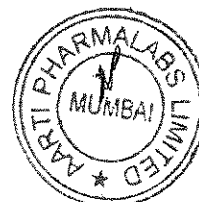
## **PREAMBLE**

The Nomination and Remuneration Policy has been formulated by Aarti Pharmalabs Limited in compliance with Section 178 of the Companies Act, 2013, read with applicable rules made thereunder and in compliance of Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The Board of Directors of Company ('Board') have approved the Policy at their meeting held on October 17, 2022 on the recommendation of the Nomination and Remuneration Committee ('NRC').

## **DEFINITIONS**

1. "Act" shall mean the Companies Act, 2013.
2. "Company" shall mean Aarti Pharmalabs Limited.
3. "Committee" or "this Committee" shall mean the Nomination and Remuneration Committee of the Board of Directors formed under the provisions of Section 178 of the Companies Act, 2013 and Regulation 19 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015
4. "Director" means a Director appointed to the Board of a company as defined under Section 2 (34) of the Act.
5. "Key Managerial Personnel" in relation to a company, means
  - (i) the Chief Executive Officer or the Managing Director or the Manager;
  - (ii) the Company Secretary;
  - (iii) the Executive Director;
  - (iv) the Chief Financial Officer;
  - (v) 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
  - (vi) such other Officer as may be prescribed.
6. "Listing Regulations" shall mean Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
7. "Policy" or "this Policy" shall mean the Nomination and Remuneration Policy of Aarti Pharmalabs Limited.
8. "Senior Management Personnel" shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Executive Director or Manager



(including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the Company Secretary and the Chief Financial Officer.

## **AIMS AND OBJECTIVES**

The aims and objectives of this Policy are:

The objective of this Policy is to serve as a guiding charter to appoint qualified persons as Directors on the Board of the Company ('Directors'), Key Managerial Personnel ('KMP'), persons, who may be appointed in senior management positions, to recommend the remuneration to be paid to them and to evaluate their performance. This Policy can be summarized as follows:

- To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a Director (Executive/ Non-executive/ Independent) of the Company;
- To recommend policy relating to the remuneration of the Directors, Key Managerial Personnel, Senior Management Personnel and other employees to the Board of Directors of the Company ('Board').
- To recommend a criteria for evaluation of performance of the Board, Directors, KMPs, Senior Management Personnel.
- To review and recommend to the Board measures to retain and motivate talent including Key Managerial Personnel and Senior Management Personnel with a view to ensuring long term sustainability and competitiveness in the organization.

## **SCOPE OF THE COMMITTEE**

### **a. Size and composition of the Board**

Periodically reviewing and recommending to the Board on the size and composition of the Board to ensure that in addition to meeting statutory criteria, the Board is well structured to make appropriate decisions and benefits from a variety of perspectives and skills, in the best interests of the Company as a whole.

### **b. Formulation of Criteria**

Formulating criteria to determine qualifications, positive attributes and independence of Directors and recommending candidates to the Board; and when circumstances warrant, the appointment of a new Director, having regard to the range of skills, experience and expertise, on the Board and who will best complement the Board.

### **c. Succession plans**



Reviewing from time to time that appropriate succession plans are in place.

**d. Board diversity**

Assisting the Board in accordance with the Board Diversity Policy, to ensure the Board nomination process with regard to diversity of gender, thought, experience, knowledge and perspective on the Board.

**GUIDING PRINCIPLES:**

While formulating and implementing this Policy, the NRC will continue to ensure that;

- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior Management Personnel considering the need for long term success of the Company,
- The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior Management Personnel considering the need for long term success of the Company,
- Relationship of remuneration to performance is clear and meets appropriate performance benchmarks, and
- Remuneration to directors, KMP 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.

**APPOINTMENT CRITERIA**

The Board shall have an optimum combination of Executive and Non-executive Directors in accordance with requirements of the Companies Act, 2013, Listing Regulations.

**GENERAL CONDITIONS**

1. The Committee shall be responsible for identifying suitable candidates for appointment/ re-appointment as Director of the Company. While evaluating a person for appointment/ re-appointment as Director, the Committee shall consider and evaluate a number of factors including but not limited to background, knowledge, skills, professional accomplishment, experience of industry and such other factors that the committee might consider relevant and applicable from time to time towards achieving a diverse Board.
2. During the term of the office, every Director shall –
  - i. upholds ethical standards of integrity and probity;
  - ii. act objectively and constructively;



- iii. exercise responsibilities in a bona-fide manner in the interest of the Company;
  - iv. shall be free from any disqualifications as stipulated under the Act as well as the Listing Regulations
3. The Committee shall ensure that an appropriate induction, training and familiarization program is in place for new Directors, KMPs and Senior Management Personnel after their appointment.
  4. The Committee shall make recommendations to the Board concerning any matters relating to the continuation in office of any Director/Employee at any time including the termination from directorship or as an employee of the Company, subject to the provision of the law and their service contract.
  5. The NRC will review and identify Directors retiring by rotation and recommend to the Board their re-appointment in line with their performance evaluation, eligibility, and merits.
  6. The Company shall not appoint a person and shall not continue the directorship of any person as a non-executive director who has attained the age of seventy-five years unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person.

#### **APPOINTMENT OF MANAGING DIRECTOR**

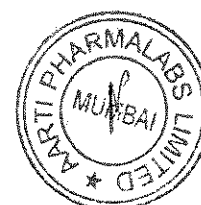
The Company shall appoint or re-appoint any person as its Managing Director for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

#### **APPOINTMENT OF 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 Shareholders of 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, however, 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 an Independent Director and during his/her appointment period with the Company, it should be ensured that the number of Boards on which such Independent Director serves is within the maximum limit prescribed under the prevailing act, rules and regulations.



While evaluating a person for appointment/ re-appointment as an Independent Director, the Committee shall ensure that the proposed candidate meets criteria of "independence" as set out in Section 149 of the Act, Data Bank Registration as required under Section 150 of the Act, the Listing Regulations and other applicable laws.

## **RETIREMENT**

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act along with the rules made there under and the prevailing policy of the Company. The Board will have the discretion to retain any Director, KMP, Senior Management Personnel or other person in senior management position, even after attaining the retirement age, for the benefit of the Company.

## **REMUNERATION STRUCTURE**

### **a. General**

The remuneration to Directors/ Key Managerial Personnel and Senior Management will be recommended by NRC to the Board for approval. The remuneration (including increment's) to the Directors, so recommended by NRC to the Board, should be within the limits and conditions prescribed under the Companies Act, 2013, Listing Regulations and other regulations, as applicable and as approved by the shareholders of the Company.

### **b. Remuneration to Non-Executive/ Independent Director**

The Non-Executive / Independent Director 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 the maximum amount per meeting of the Board or Committee as may be prescribed under the law prevailing from time to time.

The Board upon the recommendation of the Nomination & Remuneration Committee, shall review the Sitting Fees, from time to time, subject to the limits, as specified under the Companies Act, 2013 or rules made thereunder.

### **c. Remuneration to Managing Director/ Executive Director(s)**

Remuneration to the Managing Director / Executive Director(s) shall be in accordance with the provisions of the Companies Act, 2013, read with the Rules made thereunder.

The terms of Appointment shall be subject to approval of the Board and shareholders of the Company and as may be defined in the Employment Agreement.



The Managing Director / Executive Directors(s) shall not be entitled to sitting fees for attending the meetings of Board of Directors or Committees thereof

**d. Remuneration to KMPs and Senior Management**

The remuneration and reward structure comprises of two broad components. The remuneration structure would normally depend upon the roles and responsibilities as well as the prevailing market practices. In normal circumstances, the remuneration of an individual shall be divided between fixed and variable components as required under the provisions of the Act and as envisaged in Listing Regulations.

i) Base Compensation (fixed salaries): This component of salary is competitive and reflective of the individual's role, responsibility and experience in relation to performance of day-to-day activities, usually reviewed on an annual basis. The base Compensation includes salary, allowances and other statutory/non-statutory benefits which are normal part of remuneration package in line with market practices.

ii) Variable salary: A relevant part of remuneration is payable as variable salary linked to corporate and individual performance, fulfillment of specified improvement targets or the attainment of certain financial or other objectives set in this regard.

iii) Any other component/benefits as may be recommended by the management and approved by the NRC.

iv) Stock Options in accordance with applicable laws.

**PERFORMANCE MANAGEMENT PROCESS**

The Company to have a Performance Management & Review process which forms the basis of Compensation Review & Career Progression at Aarti Pharmalabs Limited. The formal Annual Performance Review Process is initiated by the Human Resources function in the beginning of April every year, with an email communication from HR to all the employees of the Organization. Performance rating for the employees is largely based on their KPI achievements for last financial year along with their competency displayed and their potential.

**MEETINGS**

The NRC shall meet at least once in a year. The Company Secretary shall act as the Secretary. The Quorum for the meeting shall be either two members or one third of the members of the committee whichever is greater, including at least one independent director in attendance. The NRC may invite such executives as it considers appropriate, to remain present at the meeting. A member of NRC is not entitled to participate in the meeting when his/her own performance/ remuneration is being discussed.



**REVIEW**

The Policy shall be reviewed by the Nomination & Remuneration Committee at appropriate intervals and based on its recommendations; the Board may revise the same from time to time.

**DISSEMINATION OF POLICY**

The policy shall be communication to all the functional, operational heads and other concerned persons of the Company and shall be placed on the website of the Company at [www.aartipharmalabs.com](http://www.aartipharmalabs.com)

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