

NEULAND LABORATORIES LIMITED

Nomination and Remuneration Policy

1. BACKGROUND

This Nomination and Remuneration Policy (“**Policy**”) is in pursuance to the provisions of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations & Disclosure Requirements), Regulation 2015, as amended from time to time. This Policy outlines the principles, parameters and framework to ensure the appointment and payment of equitable and competitive remuneration to Directors, Key Managerial Personnel and employees of the Company 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**”), constituted by the Board of Directors under Section 178 of the Companies Act, 2013 and under this Policy, has considered the following factors, while formulating the Policy:

- 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 May 10, 2024 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 the 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 provide guidance and necessary support to the Board to evaluate the performance of the members of the Board.
- 2.4 To recommend to the Board on the remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 2.5 To provide to the Board, the Key Managerial Personnel and the 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 (“SEBI Listing Regulations”) (hereinafter “Applicable Law”).

3. APPLICABILITY

This policy is applicable to the following:

- i. Directors (Executive and Non-Executive);
- ii. Key Managerial Personnel (not being a Director);
- iii. Senior management personnel; and
- iv. Other employees of the Company

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)’ shall have the same meaning as in Section 2(51) of the Act and means:
the Chief Executive Officer or the Managing Director or the Manager;
the Whole-time director;
the Chief Financial Officer;
the 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 or member of the promoter group of the 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 three 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 paid-up 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:

Provided that the pecuniary relationship or transaction with the Company, its holding, subsidiary or associate company or their promoters, or directors in relation to points (i) to (iv) above shall not exceed two percent of its gross turnover or fifty lakh rupees or such higher amount as may be prescribed, whichever is lower.

- e. who, neither himself/herself nor whose relative(s) –

- 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 or any company belonging to the promoter group of the 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 other than Key Managerial Personnel, the restriction under this clause shall not apply for his/her employment.

- 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 or corpus 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. who 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, and shall also comprise of all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time 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 heads¹, by whatever name called and the 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. The Nomination and Remuneration Committee

- 5.1** The Nomination and Remuneration Committee ("Committee") shall be constituted by the Board of Directors as follows:
- a. The Committee shall comprise of three or more Non-Executive Directors.
 - b. All Directors of the Committee shall be Non-Executive Directors.
 - c. At-least two-thirds of the Directors shall be Independent Directors.

¹ **'Functional heads'** shall mean such personnel of the Company who hold the position of senior vice president or above and are in-charge of heading any function of the Company, as may be determined by the Company from time to time.

5.2 The Chairperson of the Committee shall be an Independent Director:

Provided that the chairperson of the Company, whether Executive or Non-Executive, may be appointed as a member of the Committee but shall not chair such Committee.

5.3 The Quorum for a meeting of the Committee 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.

5.4 In the absence of the Chairperson, the members of the Committee present at the meeting shall choose one amongst them to act as the Chairperson other than the Chairperson of the Company.

5.5 The Chairperson of the Committee may be present at the annual general meeting, to answer the shareholder's queries; however, it shall be upto the Chairperson to decide who shall answer the queries.

5.5 The Committee shall meet on a need basis provided that it shall mandatorily meet at least once a year.

6. ROLES AND RESPONSIBILITIES OF THE COMMITTEE

6.1 Role of the Committee shall, *inter alia*, include the following:

- a. Formulation of the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors any modifications to this Policy relating to the remuneration of the Directors, the Key Managerial Personnel, and other employees.
- b. formulation of criteria for evaluation of performance of independent directors and the board of directors;
- c. devising a policy on diversity of board of directors;
- d. identifying persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- e. whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance evaluation of independent directors.
- f. recommend to the board, all remuneration, in whatever form, payable to senior management.
- g. Any other responsibility that the Committee may be required to perform under the Applicable Law.

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

7.1 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) **For Independent Directors:** every 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:
 1. use the services of an external agencies, if required;
 2. consider candidates from a wide range of backgrounds, having due regard to diversity; and
 3. consider the time commitments of the candidates.
- d) **For Whole-Time KMPs:** A whole-time KMP shall not hold office in more than one company except its subsidiary at the same time.
- e) The Company shall comply with the requirements as laid down in the Act and SEBI Listing Regulations with regard to appointment of Directors, KMPs (not being a Director) and Senior Management.

7.2 Term / Tenure

a) Executive Director

The Company shall not appoint or re-appoint any person as an Executive Director for a term exceeding five years at a time.

Provided that no re-appointment shall be made earlier than one year before the expiry of his/her term.

Provided further that a person shall not be a director in more than seven listed entities.

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 a person shall not serve as an Independent Director in more than seven listed entities.

Notwithstanding the above, any person who is serving as an executive director in any listed entity shall not serve as an Independent Director in more than three listed entities.

The Company shall comply with the Applicable Law at the time of appointment or reappointment of Independent Director.

- 7.3** 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 SEBI 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.

7.4 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.

7.5 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 shall 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 Law.

7.6 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 and in accordance with the Applicable Law. 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 Applicable Law.

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, he shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Committee shall recommend the due course of action to the Board to recover the excess remuneration 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 Applicable Law. In addition, a Non-Executive, a Non-Independent Director may also receive professional fee, on a case-to-case basis, subject to approvals if any required.

b. Sitting Fees

A Non-Executive Director appointed to the Board of the Company may receive sitting fees for attending meetings of the Board or a committee thereof or for any other purpose whatsoever as may be decided by the Board.

Provided that such fees shall not exceed the amount as may be prescribed by the Central Government or any regulatory authority.

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. The aforesaid percentage shall be exclusive of any sitting fees payable to Non-Executive Directors under the Applicable Law and this Policy.

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

Remuneration of 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

8. 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.

9. 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, ethnicity, pregnancy, childbirth or related medical conditions, nationality, country of origin or cultural background, 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.

The Committee shall also periodically review the Board Diversity and recommend to the Board any improvements to one or more aspects of its diversity and measure the progress accordingly.

10. 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 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.

In case any provision under this Policy is inconsistent with the Applicable Law, the provisions of the Applicable Law shall prevail and the Company shall abide by it.