

AUROBINDO PHARMA LIMITED

NOMINATION, REMUNERATION AND COMPENSATION POLICY

Introduction:

This Policy shall be called the Nomination, Remuneration and Compensation (NRC) Policy (the “Policy”) of Aurobindo Pharma Limited (the “Company”).

In pursuance of the Company’s Policy to consider human resources as its invaluable asset, to pay equitable remuneration to all Directors, Key Managerial Personnel (KMP) and Employees 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 SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the “Listing Regulations”) as amended from time to time, this Policy on nomination, remuneration and compensation of Directors, Key Managerial Personnel and Senior Management has been formulated by the Nomination and Remuneration/ Compensation Committee (the “Committee”) and approved and adopted by the Board of Directors. This Policy was first approved by the Board of Directors effective from 1st April 2014 and has been amended on 9th February 2023 and is effective from 9th February 2023.

The objective and purpose of the Policy are:

- 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) and persons who may be appointed in Senior Management and Key Managerial positions and to determine their remuneration.
- To determine remuneration based on the Company’s size, business strategies and financial position and trends and practices on remuneration prevailing in peer companies, in the pharmaceutical industry.
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them reward 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.

Constitution of the Nomination and Remuneration/ Compensation Committee:

The Nomination and Remuneration/Compensation Committee comprises of three Directors all are Independent Non-Executive Directors. The Board has the power to reconstitute the Committee consistent with the Company’s policy and applicable statutory requirements.

Definitions:

- “**Board**” means Board of Directors of the Company.
- “**Directors**” means Directors of the Company.
- “**Committee**” means Nomination and Remuneration / Compensation Committee of the Company as constituted or reconstituted by the Board.
- “**Company**” means Aurobindo Pharma Limited.

- **“Employees’ Stock Option”** means the option given to the directors, officers or employees of the Company or of its holding company or subsidiary company or companies, if any, which gives such directors, officers or employees, the benefit or right to purchase, or to subscribe for, the shares of the Company at a future date at a pre-determined price.
- **“Independent Director”** means a director appointed as per the provisions of Section 149(6) of the Act.
- **“Key Managerial Personnel (KMP)”** means as per Section 2(51) of the Act:
 - (i) the Chief Executive Officer or the Managing Director or the Manager;
 - (ii) Whole-time Director;
 - (iii) Chief Financial Officer;
 - (iv) Company Secretary;
 - (v) such other officer, not more than one level below the Directors who is in whole-time employment and designated as key managerial personnel by the Board; and
 - (vi) such other officer(s) as may be prescribed.

“Senior Management” shall mean the officers and personnel of the Company 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 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 heads, by whatever name called and the Company Secretary and the Chief Financial Officer.”

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

Applicability:

The Policy is applicable to:

- Directors (Executive and Non-Executive including Independent Directors)
- Key Managerial Personnel and
- Senior Management Personnel

General:

- This Policy is divided in to three parts:
 - Part – A covers the matters to be dealt with and recommended by the Committee to the Board
 - Part – B covers the appointment and removal and
 - Part – C covers the remuneration and perquisites etc.
- The key features of this Company’s Policy shall be included in the Board’s Report.

PART – A

MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION / COMPENSATION COMMITTEE

The Committee shall:

- Formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the board of directors a policy relating to, the remuneration of the Directors, Key Managerial Personnel, Senior Management and other employees.
- Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this Policy.

- Recommend to the Board, appointment, and removal of Director, KMP and Senior Management Personnel.
- Formulation of criteria for evaluation of Independent Directors and the Board and 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.
- Formulate, implement and administer Employee Stock Option Scheme(s) of the Company and grant stock options to the employees.
- Devising a policy on Board diversity.
- To carry out any other function as is mandated by the Board from time to time and / or enforced by any statutory notification, amendment, or modification, as may be applicable.
- To perform such other functions as may be necessary or appropriate for the performance of its duties.

PART – B

POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

• Appointment criteria and qualifications:

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
2. 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.
3. 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.
4. For the purpose of identifying suitable candidates for appointment of an Independent Director, the Committee may:
 - i) use the services of an external agencies, if required;
 - ii) consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - iii) consider the time commitments of the candidates
5. 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.

• Term / Tenure:

1. Managing Director/Whole-time Director:

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

2. Independent Director:

- For appointment / re-appointment of a person as an Independent Director, the Committee shall ensure that the proposed candidate satisfies criteria of “independence” as set out in Section 149 of the Act, the Listing Regulations and other applicable laws.

- An Independent Director shall hold office for a term not exceeding five consecutive years on the Board of the Company and will be eligible for re-appointment and disclosure of such appointment / reappointment in the Board's report. Appointment / reappointment

- 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 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.

• Evaluation:

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management personnel at regular interval (yearly).

• Removal:

Due to reasons for any disqualification mentioned in the Act or Listing Regulations, rules made thereunder or under any other applicable law, rules and regulations, 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.

• Retirement:

The Director, KMP and Senior Management personnel shall retire as per the applicable provisions of the Companies Act, 2013 and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

PART – C

POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

• General:

1. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. of Whole-time Director shall be subject to the prior / post approval of the shareholders of the Company and Central Government, wherever required.

2. The remuneration and commission to be paid to the Whole-time Director shall be in accordance with the percentage / slabs / conditions laid down in the Articles of Association of the Company and as per the provisions of the Companies Act, 2013, and the rules made thereunder and/or Listing Regulations.
3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director(s), and such percentage as they may deem fit, in respect of other employees of the Company.
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.

• **Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:**

1. 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. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board on the recommendation of the Committee and approved by the Shareholders and Central Government, wherever required.

2. 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(s) in accordance with the provisions of Schedule V of the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the Central Government.

3. 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 Companies Act, 2013 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.

• **Remuneration to Non- Executive / Independent Director:**

1. Remuneration / Commission:

The remuneration / commission shall be fixed as per the slabs and conditions mentioned in the Articles of Association of the Company and the Companies Act, 2013 and the rules made thereunder.

2. Sitting Fees:

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 Rs.1,00,000 (Rupees one lakh only) per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time and approved by the Board of the Company.

3. Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Companies Act, 2013.

4. Stock Options:

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

Policy review

(a) This Policy is framed based on the provisions of the Act and rules thereunder and the requirements of Listing Regulations.

(b) In case of any subsequent changes in the provisions of the Act or Listing Regulations or any other regulations which makes any of the provisions in the Policy inconsistent with the Act or such regulations, then the provisions of the Act or regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law.

(c) This Policy shall be reviewed by the Nomination, Remuneration and Compensation Committee, periodically. Any changes or modification to the Policy as recommended by the Committee would be placed before the Board of Directors for their approval.
