

ASTRAZENECA PHARMA INDIA LIMITED

Nomination and Remuneration Policy

The Remuneration Committee of AstraZeneca Pharma Limited (“the Company”) was constituted on 6th February 2013. In order to align with the provisions of the Companies Act, 2013 and the Listing Agreement, the Board at its meeting held on May 30, 2014, renamed the “Remuneration Committee” as “Nomination and Remuneration Committee” and approved the Terms of Reference.

1. Objective:

The Nomination and Remuneration Committee was constituted pursuant to Section 178 of the Companies Act, 2013 (“the Act”) read along with the applicable rules thereto and Clause 49 of the Listing Agreement and this Policy is in compliance therewith.

2. Definitions:

- (a) Act** means the Companies Act, 2013 and the Rules framed thereunder, as amended from time to time.
- (b) Board** means the Board of Directors of the Company
- (c) Directors** means Directors of the Company
- (d) Key Managerial Personnel:** Key Managerial Personnel means—
 - (i) Chief Executive Officer or the Managing Director or the Manager;
 - (ii) Company Secretary,
 - (iii) Whole-time director;
 - (iv) Chief Financial Officer; and
 - (v) such other officer as may be prescribed by the Act or rules made thereunder.

- (e) **Senior Management:** “Senior management” shall mean officers/personnel of the listed entity who are members of its core management team excluding board of directors and normally this shall comprise all members of management one level below the “chief executive officer/managing director/whole time director/manager (including chief executive officer/manager, in case they are not part of the board) and shall specifically include company secretary and chief financial officer.

3. Applicability:

The Policy is applicable to

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

4. Constitution, Composition, Quorum:

- (a) The Committee shall consist of a minimum 3 (Three) non-executive directors, out of which not less than one half shall be Independent Directors.
- (b) Two (2) members present out of whom one shall be an Independent Director shall constitute a quorum for a Committee meeting.
- (c) The Chairman of the Committee shall be an Independent Director. In the absence of the Chairman of the Committee, the members present at the meeting shall elect one of the members of the Committee, to act as Chairman of that meeting.
- (d) The Chairman of the Company can be a member of the Committee but shall not chair the Committee.
- (e) The Chairman of the Committee or in his absence any member of the Committee nominated by the Chairman shall be present at the AGM to

answer shareholders queries.

(f) Membership of the Committee shall be disclosed in the Annual Report.

5. Meetings and invitees to meetings:

- The Committee will meet as and when required or mandated by the Board or the Chairman of the Committee.
- The Committee may invite such executives, as it considers appropriate to be present at any meeting of the Committee.
- The Company Secretary shall act as Secretary of the Committee.

6. Role and Functions of the Committee relating to Nomination:

- (a) To review the Board structure, size and composition and make recommendations to the Board in this regard;
- (b) To identify persons who are qualified to become directors (including appointments to committees) and who may be appointed in Senior Management in accordance with the criteria laid-down, recommend to the Board their appointment and removal and to carry out evaluation of every director's performance;
- (c) To formulate the criteria for determining qualifications, positive attributes and independence of a director;
- (d) To recommend to the Board plans for succession, in particular, of the Managing Director, the Executive Directors, Key Managerial Personnel and Senior Management Personnel;
- (e) To specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance

(f) Formulate criteria for evaluation of performance of independent directors and the Board of Directors.

(g) Recommend to the Board, all remuneration, in whatever form, payable to Senior Management

7. Functions and Responsibilities of the Committee relating to Remuneration:

The functions and responsibilities of the Committee in relation to remuneration will be as under:

7.1 Relating to the Company:

- The Committee to formulate and recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- The Committee while formulating the above policy shall ensure that –
 - (a) the level and composition of remuneration be reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully;
 - (b) relationship of remuneration to performance be 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.

7.2 Relating to the Performance and Remuneration of the Managing Director / Wholetime Director, Key Management Personnel and Senior Management Personnel:

- Establish key performance metrics to measure the performance of the Managing Director / Wholetime Director, including the use of financial, non-financial and qualitative measures.
- Review and recommend to the Board the remuneration and performance bonus or commission to the Managing / Wholetime Directors.

7.3 Relating to the Performance and Remuneration of the Non-Executive Directors:

- Define the principles, guidelines and process for determining the payment of commission to non-executive directors of the Company.

8. Other Functions:

Perform such other activities within the scope of this Policy as may be directed by the Board of Directors or under any regulatory requirements.

9. Disclosure:

This Policy as amended from time to time shall be disclosed in the Board's Report.

10. Nomination Duties:

- a) Evaluating the performance of the Board members in the context of the Company's performance from business and compliance perspective;

11. Remuneration Duties:

The duties of the Committee in relation to remuneration matters include:

- a) to consider and determine the Remuneration Policy, based on the performance and also bearing in mind that the remuneration is reasonable and sufficient to attract, retain and motivate members of the Board and such other factors as the Committee shall deem appropriate all elements of the remuneration of the members of the Board.
- b) to approve the remuneration of the Senior Management including Key Managerial Personnel of the Company maintaining a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company.
- c) to delegate any of its powers to one or more of its members.
- d) to consider any other matters as may be requested by the Board;
- e) professional indemnity and liability insurance for Directors and senior management.

Criteria for payment of remuneration to Directors, KMP and Senior Management Personnel is provided under **Annexure – A** attached to this Policy.

12. Minutes of Committee Meetings:

Proceedings of all meetings shall be minuted and signed by the Chairman of the Committee at the subsequent meeting. Minutes of the Committee meetings will be tabled at the subsequent Board and Committee meetings.

The Board of Directors shall have the power to amend the Policy in the light of changes/ amendments in the Act and SEBI (LODR) Regulations / Listing Regulations and or other statutory provisions as maybe be notified from time to time.

**Criteria for payment of remuneration to Directors, KMP and Senior
Management Personnel**

(A) (i) Remuneration to Managing / Whole-time Directors

- a) The remuneration and commission to be paid to the Managing and 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.
- b) The remuneration and commission etc. to be paid to the Managing Director / Whole-time Director will be determined by the Committee and recommended to the Board for approval. The same shall be subject to the prior/post approval of the shareholders of the Company and Central Government, wherever required.
- c) 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 Managing and Whole-time Director.
- d) Where any insurance is taken by the Company on behalf of its Directors 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 Directors. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Managing Director, Whole-time Director in accordance with the provisions of Schedule V to the Companies Act, 2013 and if it is not able to comply with such provisions, with the previous approval of the shareholders and / or Central Government, as the case may be.

Provision for excess remuneration:

If Managing Director, 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.

(ii) Remuneration to Non- Executive Independent Directors in India:**a) Sitting Fees:**

The Independent Directors in India 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 amount as may be prescribed under the Companies Act, 2013 and the Rules made thereunder

b) 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.

(B) Remuneration to KMP and Senior Management Personnel:

KMP and Senior Management Personnel shall be eligible for remuneration by way of both fixed and variable pay comprising of monthly salary & perquisites and performance based incentive / commission.

Appraisals of KMP and Senior Management Personnel, annual and / or otherwise, shall be done by the Managing Director and Head of HR function.

**THE FOLLOWING SUB-POLICIES WILL FORM PART OF THE NOMINATION AND
REMUNERATION POLICY**

1. Policy on Diversity of the Board of Directors

The Committee shall:

1. Regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board with regard to any changes;
2. Be responsible for identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise;
3. Before any appointment is made by the Board, evaluate the balance of skills, knowledge, experience and diversity on the Board, and, in light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates the Committee shall:
 - a. If necessary, use the services of external advisers to facilitate the search;
 - b. Consider candidates from a wide range of backgrounds; and
 - c. Consider candidates on merit and against objective criteria and with due regard to the benefits of diversity on the Board, including gender, taking care that appointees have enough time available to devote to the position.
 - d. Keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the organization to compete effectively in the market place; and

4. Give full consideration to succession planning for Directors in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;
5. The Committee shall also make recommendations to the Board concerning:
 - a. Formulating plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive Officer;
 - b. Suitable candidates for the role of independent Non-Executive Director;
 - c. Membership of the Audit Committee, the Remuneration Committee, in consultation with the chairmen of those Committees;

2. Policy on appointment of directors, key managerial personnel and other employees

1. The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or senior management level and recommend to the Board his / her appointment.
2. A person to be appointed as Director, KMP or senior management level should possess adequate qualification, expertise and experiment for the position he / she is considered of reappointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
3. A person, to be appointed as Director, should possess reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth, complementary skills in relation to other Board members.
4. In terms of the Companies Act, 2013 and subject to the retirement rules in the Company, the Company shall not appoint or continue the employment of any person as Managing Director / Executive Director who has attained the age of 75 years, unless his appointment is approved by a special resolution passed by the company in general meeting.
5. An independent Director shall hold office for a term up to 5 consecutive years on the Board of the Company and will be eligible for re-appointment on passing of a special resolution by the Company.
6. No independent director shall hold office for more than 2 consecutive terms, but such independent director shall be eligible for appointment after expiry of 3 years of ceasing to become an independent Director. Provided that an Independent Director shall not, during the said period of 3 years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

7. At the time of appointment of Independent Director, it should be ensured that number of Boards on which such Independent Directors services is restricted to 7 listed companies as an Independent Director and 3 listed companies as an Independent Director in case such person is servicing as a Whole-time Director of a listed company.
8. Due to reasons for any disqualification mention in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations, the Committee may recommend, to the Board with reasons recorded in writing, removal of a director or KMP subject to the provisions and compliances of the said Act, rules and regulations.

3. Policy on Board Evaluation

The Companies Act, 2013 and the SEBI (LODR) Regulations mandate for evaluation of the Board of Directors as a whole, that of its committee and individual directors. Evaluation of the Board, Committees and Directors is considered as a good corporate governance practice and the same was also a non-mandatory requirement under the erstwhile clause 49 of the Listing Agreement.

In compliance with Section 178, Section 134 and Schedule IV of the Companies Act, 2013 and SEBI (LODR) Regulations, 2015, as amended --

- (a) the Nomination and Remuneration Committee shall specify the manner for effective evaluation of performance of Board, its committees and individual directors to be carried out either by the Board, by the Nomination and Remuneration Committee or by an independent external agency and review its implementation and compliance.
- (b) the Board shall disclose a statement indicating the manner in which formal annual evaluation of the performance of the Board, its Committees and of individual directors has been made.
- (c) the independent directors of the company shall hold at least one meeting in a financial year, without the attendance of non-independent directors and members of management and all the independent directors of the company shall strive to be present at such meeting. The meeting shall:
 - (i) review the performance of non-independent directors and the Board as a whole;
 - (ii) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
 - (iii) assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

- (d) Similarly, the performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.

Evaluation Criteria: The Committee may consider the evaluation parameters as set out under the SEBI Guidance Note on Board Evaluation on dated January 5, 2017, for assessment of the Board as a Whole, the Committees and the Individual directors.