

INDIAN IMMUNOLOGICALS LIMITED

NOMINATION & REMUNERATION POLICY

1. Preamble

The resources based review (RBV) of a firm's competitiveness is based on the premise that competitiveness stems from the set of tangible and intangible resources developed by the firm. Among the intangibles are the competencies of human capital that firms deploy. Firms which make them valuable, rare, in-imitable and non-substitutable obtain significant competitive advantage over other firms. A major factor which drives competencies of human capital is the compensation paid by the firm. Sound policies governing compensation provide good environment for development of competencies of people and the collective capabilities of firms. This policy provides a frame work for the nomination and remuneration of Directors, Key Management Personnel (KMP) and other employees of the Company.

2. Objectives of the policy

The primary objectives of this Policy are as under:

- a) To formulate the criteria for determining the qualifications, positive attributes and independence for the appointment of Directors, KMP and Senior Management.
- b) To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, KMP and Senior Management, to meet the Company's objectives.
- c) To ensure that a reasonable balance is maintained in terms of composition of remuneration, fixed and variable component linked to the efforts and performance of the KMP and Senior Management, and achievement relating to the Company's short and long term goals and length of service.
- d) To formulate the criteria for evaluation of performance of Directors, KMPs, Members of Senior Management and other employees.
- e) To demonstrate that the Company is an equal opportunities employer.

3. Constitution of the Nomination and Remuneration Committee

The Board has reconstituted the "Nomination and Remuneration Committee" on 5th May 2014, in line with the requirements of the Companies Act, 2013 (herein after referred to as the Act). The Board has authority to reconstitute this Committee from time to time.

Definitions

'Board' means Board of Directors of the Company.

'Directors' means Directors of the Company.

'Committee' means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board.

'Company' means Indian Immunologicals Limited.

'Independent Director' means a Director referred to in Section 149(6) of the Act and rules.

‘Key Managerial Personnel (KMP)’ means:

- i) the Managing Director;
- ii) the Dy. Managing Director;
- iii) other Whole-time Directors;
- iv) the Chief Financial Officer;
- v) the Company Secretary; and
- vi) Any other person as may be defined under the Act.

‘Senior Management’ means personnel of the Company who are members of its core management team excluding Board of Directors comprising all members of management one level below the Whole-time Directors, including the functional heads.

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

4. Matters to be dealt with, perused and recommended to the Board by the Nomination and Remuneration Committee

The Committee shall, *inter-alia*, deal with the following matters:

- (a) Size and composition of the Board: Reviewing the size and composition of the Board, as may be required, to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company as a whole;
- (b) Appointment of Directors: Formulate the criteria determining qualifications, positive attributes and independence of a Director and recommending candidates to the Board, when circumstances warrant the appointment of a new Director, having regard to the range of skills, experience and expertise, diversity of gender, on the Board and who will best complement the Board;
- (c) Succession plans: Establishing and reviewing Board and Senior Management succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and Senior Management;
- (d) Evaluation of performance: Make recommendations to the Board on appropriate performance criteria for the Directors; Formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company;
- (e) Training: Identify training and education programmes for the Directors, KMP and Senior Management to ensure that they:
 - * are provided with strategic decision-making capabilities;
 - * build capabilities for leading cross functions;
 - * develop knowledge in core areas of business;
 - * develop network with peers and experts;
 - * acquire information regarding the options of the business / the industry; and
 - * fully understand their legal responsibilities and duties.
- (f) Remuneration framework and policies: The Committee shall review and make recommendations to the Board on:
 - i. the remuneration or fee, as the case may be, paid to the Directors including the fees payable for attending the Board and Committee meetings;
 - ii. the remuneration policies for all employees including KMPs, Senior Management and other employees, formulated having regard to the need to:

- * attract and motivate talent to pursue the Company's goals;
 - * demonstrate a clear relationship between compensation and performance; and
 - * be reasonable and fair, having regard to best governance practices and legal requirements.
- iii. the Company's superannuation arrangements and compliance with relevant laws and regulations in relation to superannuation arrangements; and
- iv. the Company's reporting in the financial statements.

5. Policy for appointment and removal of Director, KMPs and Senior Management

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 or Senior Management level and recommend to the Board their appointment.
- (b) The Committee will have discretion to decide whether qualification, expertise and experience possessed by a person are sufficient / satisfactory for the concerned position.
- (c) A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in relevant sectors / areas, ability to contribute to the Company's growth, and complementary skills in relation to the other Board members.
- (d) Subject to the prevailing policy of the Company in respect of the retirement age, the Company shall not appoint or continue the employment of any person as Whole-time Director (hereinafter includes Managing Director and Dy. Managing 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.
- (e) No employee of the Company shall hold office in more than one company except in its subsidiary company at the same time. However, an employee may be appointed as a Director in any company, with the permission of the Board of Directors of the Company.
- (f) At the time of appointment of a Director, it should be ensured that number of Boards on which such Director serves is in compliance with the provisions of the Act.

Term / Tenure

- (g) Whole-time Directors and other Employees: The Company shall appoint or re-appoint any person as its Whole-time Director, CEO or as an Employee for a term not exceeding three years at a time. No re-appointment shall be made earlier than one year before the expiry of term.
- (h) 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. However, any tenure of an Independent Director as on April 1, 2014 shall not be counted as a term under this clause.

Removal

- (i) Due to reasons for any disqualification mentioned 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 compliance of the said Act, rules and regulations.

Retirement

- (j) The 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 KMP and Senior Management personnel in the same position / remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

6. Policy relating to the remuneration for Directors, KMPs and other employees

- (a) The remuneration / compensation / commission etc. to Whole-time Directors will be determined by the Committee and recommended to the Board for approval.
- (b) The remuneration / commission to be paid to the Whole-time Directors shall be in accordance with the provisions of the Companies Act, 2013, and the rules made thereunder.
- (c) Increment to the existing remuneration / compensation, based on the performance of the Whole-time Director in the previous financial year will be determined by the Board, which shall be within the limits approved by the Shareholders.
- (d) Revision to the existing remuneration / compensation structure of the Whole-time Directors may be recommended by the Committee to the Board and will be subject to the approval of the Shareholders in the subsequent General Meeting.
- (e) Increment to the existing remuneration / compensation, based on the performance of the KMPs (other than Whole-time Directors) and other employees in the previous financial year will be determined in accordance with the Performance Management System of the Company.
- (f) Revision to the existing remuneration / compensation structure of the KMPs (other than Whole-time Directors) and other employees will be determined by the Managing Director / Dy. Managing Director of the Company.
- (g) Where any insurance is taken by the Company on behalf of its Directors, KMPs 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 of 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.
- (h) Where any other benefit is provided by the Company to its employees, as an employee welfare measure, in which Directors, KMPs and Senior Management may also be covered, the cost of such benefit shall not be treated as part of the remuneration of such personnel.

Remuneration and reward structure for KMPs and other employees

The remuneration and reward structure for KMPs and other employees is as follows:

- (a) The remuneration and reward structure for employees comprises of fixed component, performance linked incentive and long-term reward.
- (b) **Fixed Component:** Refers to the fixed compensation payable to the KMPs and other employees of the Company on monthly basis.

- (c) Performance Linked Incentive: Performance linked incentive is based on the extent of achievement of the individual's objectives, his effectiveness in the role and the performance of the Company.

Every KMP or Employee joining in the first two quarters of the financial year is required to draw a performance plan in consultation with the head of the department (in case of Whole-time Directors the Board). The performance-linked incentive will be directly linked to the performance on individual components of the performance plan, his effectiveness in the role and the overall performance of the Company. If a KMP or employee joins in the third quarter of the financial year, his performance evaluation is carried on his effectiveness and the performance of the Company. Any KMP or employee joining in the fourth quarter of financial year shall not be eligible for the performance linked incentive. A KMP's or employee's performance linked incentive would, therefore, be directly dependent on key performance measures that represent the best interests of Company. The performance of the employee in the financial year will also determine the increment that he would be eligible for the subsequent year. The objective is to set the total remuneration at levels to attract, motivate, and retain high performing and high potential personnel.

- (d) Long-term rewards: The long term rewards include incentive plans provided to KMPs and employees based on length of service and their performance during the period for which the reward is granted. The objective of long-term reward is to retain performing personnel.
- (e) Minimum remuneration to Whole-time Directors: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time Directors in accordance with the provisions of Schedule V of the Companies Act, 2013; and if it is not able to comply with such provisions, the same shall be with the previous approval of the Central Government.

Remuneration to Non-Executive / Independent Directors

- (f) Sitting fees: The Independent Directors will receive remuneration by way of fees for attending meetings of Board or Committees thereof, as decided by the Board, based on the recommendation of the Committee, from time to time, subject to the limit prescribed under the Companies Act, 2013 and rules thereunder. The Non-executive Director other than the Independent Directors may not receive the said sitting fee.
- (g) Reimbursement of expenses: Non-executive Directors shall be reimbursed the expenditure incurred by them for attending the Board or Committee meetings, including travelling, conveyance, lodging and boarding expenses.

7. Policy review

This policy is framed based on the provisions of the Companies Act, 2013 and rules thereunder. In case of any subsequent changes in the provisions of the Companies Act, 2013 or any other regulations which makes any of the provisions in the policy inconsistent with the Act or 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.

This policy shall be reviewed by the Nomination and Remuneration Committee as and when any changes are to be incorporated in the policy due to change in regulations or as may be felt appropriate by the Committee. Any changes or modification on the policy as recommended by the Committee would be submitted to the Board of Directors for approval.