

NCL/COSEC/A/3/14052022



NOMINATION AND REMUNERATION POLICY

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1. INTRODUCTION

This Nomination & Remuneration Policy ("**Policy**") of Neogen Chemicals Limited ("**Company**") is formulated by its Nomination and Remuneration Committee ("**Committee**") under the requirements of applicable laws, including The Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended ("**Listing Regulations**").

The Policy sets out the criteria for the Board of Directors ("**Board**") for appointment, evaluation of Board and its Committees members, removal and equitable payment of remuneration to the Directors, Key Managerial Personnel ("**KMP**"), Senior Management Personnel ("**SMP**") (as defined below) and other employees of the Company.

Section 178 (3) of the Act and Part D of Schedule II of SEBI LODR requires the Nomination and Remuneration Committee to formulate the criteria for determining qualifications, positive attributes and independence of a director, recommend to the Board a policy relating to the remuneration for the directors, KMP and SMPs, criteria for evaluation of performance Board and its Committees members, board diversity etc.

The present composition of the "Nomination and Remuneration Committee" of the Company is as below:-

Sr. No.	Name	Designation	Designation in the Committee
1	Mr. Hitesh Reshamwala	Independent Director	Chairman
2	Mr. Sanjay Mehta	Independent Director	Member
3	Mr. Anurag Surana	Non- Executive Director	Member

2. Objective and Purpose

The objective and purpose of this Policy are:

- 2.1. To guide the Board in relation to selection, appointment and removal of Directors, KMP and SMP one level below the Board and other employees.
- 2.2. To formulate the criteria for determining qualifications, competencies, positive attributes and independence for appointment of a director (executive/non-executive/independent), KMP and SMP of the Company; and
- 2.3. To recommend policy relating to the remuneration of the Directors, KMP and SMP to the Board and to further ensure that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- 2.4. To provide the process for reviewing and approving corporate goals and objectives relevant to the compensation of the executive Directors, formulate the criteria for evaluating the performance of the Directors in light of those goals and objectives and either as a committee or together with the other independent Directors (as directed by the Board), determine and approve executive Directors' compensation based on this evaluation;
- 2.5. To ascertain 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;

- 2.6. To identify persons who are qualified to become Directors KMP, and SMP in accordance with the criteria laid down, and recommend to the Board of Directors their appointment and removal;
- 2.7. To provide recommendations to the Board with respect to the compensation to be provided to the Directors, KMP and SMP at the time of appointment/ re-appointment/ change in designation etc. if any and recommending incentive-compensation and equity-based plans that are subject to approval of the Board;
- 2.8. To provide to Directors, KMP and SMP reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations;
- 2.9. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

3. Constitution of the Nomination and Remuneration Committee

- 3.1. The committee shall have 3 (three) or more non-executive Directors out of which not less than one-half are Independent Directors. The Chairman of the Committee shall be an Independent Director.
- 3.2. 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.
- 3.3. In the absence of the Chairman, the members of the Committee present at the meeting shall choose one amongst them to act as Chairperson
- 3.4. The quorum of the meeting of the committee shall be either 2 (two) members or one third of the members of the committee, whichever is greater.
- 3.5. Attendance of at least one independent director is mandatory. The committee shall meet at least once a year.
- 3.6. The Board has authority to reconstitute this Committee from time to time.
- 3.7. The Chairperson of the nomination and remuneration committee may be present at the annual general meeting, to answer the shareholders' queries; however, it shall be up to the chairperson to decide who shall answer the queries.
- 3.8. Membership of the Committee shall be disclosed in the Annual Report.
- 3.9. A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.
- 3.10. The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.
- 3.11. The Company Secretary of the Company shall act as Secretary of the Committee.

- 3.12.** Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.
- 3.13.** In the case of equality of votes, the Chairman of the meeting will have a casting vote.
- 3.14.** Proceedings of all meetings must 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 meeting.

4. Definitions

'Act'	means the Companies Act, 2013 and the rules made thereunder, including the modifications, amendments, clarifications and circulars;
'Board'	means Board of Directors of the Company;
'Committee'	means Nomination and Remuneration Committee of the Company as constituted or reconstituted by the Board;
'Company'	means Neogen Chemicals Limited;
'Directors'	means the directors of the Company;
'Independent Director'	Shall have the same meaning as attributed to it under Section 149(6) of the Act and rules made thereunder; and
'Key Managerial Personnel (KMP)'	means- (i) the Managing Director or Chief Executive Officer or Manager; (ii) Whole-time Director; (iii) the Company Secretary; (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 KMP by the Board of Directors and (vi) Any other person as defined under the Act from time to time.
'Senior Management Personnel means'	means officers/personnel of the Company who are members of its core management team. This would also include all members of management one level below the executive directors including all the functional heads.
"Net Profit"	shall be calculated as per section 198 of the Companies Act, 2013.

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

5. Matters to be dealt with, perused and recommended to the Board by the Committee

The following matters shall be dealt with by the Committee:-

5.1. Size and composition of the Board:

Periodically reviewing the size and composition of the Board to have an appropriate mix of executive, non- executive and Independent Directors which complies with the provisions of the Act and SEBI LODR regulations to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company;

5.2. Directors:

Formulate the criteria determining qualifications, positive attributes and independence of a Director and recommend candidates to the Board when circumstances warrant the appointment of a new Director, having regard to qualifications, integrity, expertise and experience for the position.

5.3. Succession plans:

Establishing and reviewing Board and KMP succession plans for the company in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and senior management.

5.4. Evaluation of performance:

- (i) Identify ongoing training and education programs for the Board to ensure that non-executive and independent Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.
- (ii) Make recommendations to the board on appropriate performance criteria for the directors.
- (iii) Formulate the criteria and framework for evaluation of performance of the Board, its Committee and Directors of the Company
- (iv) The Independent Directors shall have a meeting at least once in a year to review the performance and evaluation of the non-independent/non-promoter directors and the entire Board as a whole, including the Chairman.
- (v) The evaluation of independent directors shall be done by the entire board of directors (excluding the directors being evaluated) with respect to –
 - Performance of the directors; and
 - Fulfillment of the independence criteria as per the provisions of the Act and SEBI LODR regulations and their independence from the management.

6. Remuneration framework and policies:

The Committee is responsible for reviewing and making recommendations to the Board on:

- (i) Remuneration of executive Directors to be presented for shareholders' approval, if in excess of the limits as prescribed under the Act including severance, if any.
- (ii) Individual and total remuneration of executive & non-executive Directors and the chairperson, including any additional fees payable for attending of Board committees;

- (iii) the remuneration and remuneration policies for KMP including base pay, incentive payments, equity awards, retirement rights, severance pay if any and service contracts having regard to the need to:
 - (a) attract and motivate talent to pursue the Company's long-term growth;
 - (b) demonstrate a clear relationship between executive compensation and performance;
 - (c) be reasonable and fair, having regard to best governance practices and legal requirements; and
 - (d) balance between fixed and incentive pay reflecting short and long-term performance objectives as appropriate for the Company and its goals.
- (iv) the Company's incentive compensation and equity-based plans including a consideration of performance thresholds and regulatory and market requirements;

7. Policy for appointment and removal of Directors, KMP and SMP

(i) Appointment criteria and qualifications:

- (a) The Committee shall ascertain the integrity, qualification, expertise and experience of the person identified for appointment as Director or KMP and recommend to the Board his/her appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position;
- (b) A person to be appointed as Director or KMP should possess adequate qualification, expertise and experience for the position he / she is considered for;
- (c) The person must fulfill the minimum and/or maximum age criteria as applicable under the provisions of the Act and SEBI LODR regulations and take necessary approvals from the shareholders in this regard in case of directors above the maximum age criteria.
- (d) A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the permission of the Board of Directors of the Company.
- (e) The Committee while considering a person for appointment as director, shall verify that the said person is not debarred from holding the office of director pursuant to any SEBI order and in case of directors, the Committee shall ensure that the number of directorship held by each director in other companies is below the specified limit under the Act and SEBI LODR regulations and amendments made from time to time.

(ii) Term / Tenure**(a) Managing Director / Whole-time Director**

The Company shall appoint or re-appoint any person as its Managing Director, Manager or Whole- Time Director for a term not exceeding 5 (Five) years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

Not less than two-thirds of the total number of directors (excluding independent directors) shall be liable to retirement by rotation at every annual general meeting as per the provisions of the Act and SEBI LODR as applicable. The directors retiring by rotation at every annual general meeting shall be those who have been longest in the office since last appointment; the retiring director amongst directors appointed on the same day shall be determined by a lot.

At the annual general meeting at which a director retires by rotation, the Company may fill up the vacancy either by appointing the retiring director or some other person as may be deemed fit.

(b) Independent Director

An Independent Director shall hold office for a term up to 5 (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 2 (Two) consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (three) years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of 3 (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 the limits as prescribed in the applicable listing regulations in force.

(c) KMP and SMP

The term of appointment and subsequent retirement of KMP's and SMP shall be as per the provisions of the Act, SEBI LODR, other rules or regulations including any amendments made from time to time and prevailing policy of the Company.

(iii) Removal

The Committee may recommend, to the Board with reasons recorded in writing, removal of a Director or KMP due to breach of company policy or reasons for any disqualification mentioned in the Act and rules made thereunder, SEBI LODR or under any other applicable Act, rules and regulations,

(iv) **Retirement**

The Directors, KMP and SMP shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Directors and KMP in the same position / remuneration or otherwise, even after attaining the retirement age of 60 years, for the benefit of the Company.

8. Policy relating to the remuneration for Directors, KMP and SMP

(i) **GENERAL**

- (a) The remuneration / compensation / commission etc. to be paid to Directors, KMPs and SMPs will be determined by the Committee and recommended to the Board for approval at the time of appointment/ re-appointment/ change in designation etc.;
- (b) The remuneration and commission to be paid to the Managing Director/Whole-Time Director shall be in accordance with the provisions of the Act, and the rules made thereunder;
- (c) Increments to the existing remuneration / compensation structure may be reviewed and approved by the Committee on an annual basis which should be within the limits as specified under the Companies Act, 2013 and Listing Regulations or the limits approved by the shareholders, if any in the case of Managing Director/Whole-Time Director/ KMPs; and
- (d) Where any insurance is taken by the Company on behalf of its Directors and KMP 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.

(ii) **REMUNERATION TO DIRECTORS/ KMPs AND SMPs**

- (a) The remuneration / Compensation / Profit linked Incentive/ Performance Bonus/ Commission etc., to Directors and KMP will be determined by the Committee and recommended to the Board for approval at the time of his appointment/ re-appointment/ change in terms. The Remuneration / Compensation / Profit Linked Incentive etc. to be paid for Directors/ KMPs shall be subject to the prior/post approval of the shareholders of the Company and central government, wherever required under the Act;
- (b) The remuneration and commission to be paid to managerial personnel shall be as per the statutory provisions of the Act, and the rules made thereunder for the time being in force;
- (c) Managerial personnel, KMP and senior management shall be eligible for a remuneration as may be approved by the Board on the recommendation of the Committee in accordance with the statutory provisions of the Act, and the rules made thereunder for the time being in force. The break-up of the pay scale and quantum of perquisites including, employer's contribution to , 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;

- (d) If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its managerial personnel in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the prior approval of the central government, if required;
- (e) If any managerial personnel draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the prior sanction of the Shareholders/ 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; and
- (f) Annual Increments if declared to the existing remuneration / compensation structure shall be reviewed and approved by the Committee which should be within the limits as specified under the Companies Act, 2013 and Listing Regulations or the limits approved by the shareholders, if any, in the case of Directors and KMP.
- (g) The overall remuneration payable to all the directors of the Company including managing director and whole-time directors in respect of any financial year shall not exceed 11% of the net profits of the Company.
- (h) Remuneration payable to any one managing director; or whole-time director or manager shall not exceed 5% of the net profits of the Company and if there is more than one such director, the remuneration shall not exceed 10% of the net profits of all such directors and manager taken together.
- (i) Payment of remuneration in excess of the above statutory limits shall be done by recording of clear reason and justification and obtaining approval of shareholders through special resolution as per the provisions of the Act, SEBI LODR and amendments made thereto from time to time.
- (j) The fees and compensation payable to executive directors who are promoters or members of the promoter group, shall be subject to the approval of the shareholders by special resolution in general meeting if –
 - The annual remuneration payable to such executive director exceeds rupees five crore (5 crore) or 2.5 percent (2.5%) of the net profits of the Company, whichever is higher; or
 - Where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 percent (5%) of the net profits of the Company
 - Such approval shall be valid only till the expiry of the term of such director.

(iii) REMUNERATION/ COMPENSATION TO OTHER EMPLOYEES

The remuneration/ compensation for other employees would be as per the remuneration/ compensation/ annual increment policy of the Company, as revised through the annual compensation review process from time to time and approved by the Managing Director and Chief Financial Officer.

(iv) MINIMUM REMUNERATION TO WHOLE-TIME DIRECTORS

The Company shall provide such amount of remuneration to Whole Time Directors which is within the limit as prescribed by the Act and SEBI LODR. 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 Act and if it is not able to comply with such provisions, with the previous approval of the Central Government.

- the level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate potential candidates of the quality required to run the Company successfully;
- relationship of remuneration to performance shall be clear and able to meet appropriate performance benchmarks;
- in line with best governance practices and legal requirements;

(v) COMPENSATION/ FEES TO NON-EXECUTIVE / INDEPENDENT DIRECTORS

- (a) Compensation/ Fees: The Compensation, sitting Fees, commission and re-imburements payable to each non-executive Director is based on the structure as determined by the Board, and is revised from time to time, depending on individual contribution, the Company's performance, and the provisions of the Act and the rules made thereunder.
- (b) Compensation / Profit Linked Commission: The compensation / profit linked commission shall be in accordance with the statutory provisions of the Act, and the rules made thereunder for the time being in force.
- (c) Sitting Fees: The non- executive / Independent Director may receive remuneration by way of sitting fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees per meeting of the Board or Committee shall not exceed the maximum amount as provided in the Act, or such amount as may be prescribed by the central government from time to time.
- (d) All the Non-executive, Non-promoter Directors shall be paid commission on uniform basis.
- (e) Stock Options: Pursuant to the provisions of the Companies Act 2013, Except Independent Directors, the managerial personnel, KMP, senior management and an employee shall be entitled to any employee stock options (ESOPs) of the Company.
- (f) the remuneration payable to directors who are neither managing directors nor Whole-time directors shall not exceed,—
 - (i) one per cent. Of the net profits of the company, if there is a managing or whole time Director or manager;
 - (ii) three per cent. Of the net profits in any other case.
 - (iii) Within the monetary limit as may be approved by the shareholders of the company pursuant to the provisions of the Act, if any.

(vi) POLICY REVIEW

- (a) This Policy is framed based on the provisions of the Act and rules thereunder and the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015;
- (b) In case of any subsequent changes in the provisions of the Act 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; and
- (c) This policy shall be reviewed by the Committee as and when any changes are to be incorporated in the policy due to change in regulations or as otherwise deemed appropriate by the Committee. Any changes or modification to the policy as recommended by the Committee would be placed before the Board of Directors for their approval.
- (d) Any subsequent amendment/modification in SEBI LODR, Act and/ or applicable laws in this regard shall automatically apply to this policy.
