

Dr. Lal PathLabs Limited

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NOMINATION AND REMUNERATION POLICY

1. Introduction

In terms of Section 178 of the Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, this policy on nomination and remuneration of Directors, Key Managerial Personnel (KMP), Senior Management and other employees of the Company has been formulated by the Board of Directors on the recommendation of Nomination and Remuneration Committee of the Company. This policy shall act as a guideline for determining, inter-alia, qualifications, positive attributes and independence of a Director, matters relating to the remuneration, appointment, removal and evaluation of performance of the Directors, Key Managerial Personnel, Senior Management and other employees.

2. Policy Objective

- a. To lay down criteria for identifying persons who are qualified to become Directors and who may be appointed in Key Managerial and Senior Management positions and to recommend to the Board their appointment and removal.
- b. To lay down criteria to carry out evaluation of every Director's /KMP/Senior Management Personnel and other employees performance.
- c. To formulate criteria for determining qualification, positive attributes and Independence of a Director;
- d. To recommend to the Board a policy, relating to remuneration of directors, key managerial personnel and other employees. While recommending such policy the Nomination and Remuneration Committee shall ensure:

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- i. 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.
 - ii. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
 - iii. Remuneration of 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.
- e. To formulate a Board Diversity Policy.
 - f. To recommend to the Board, all remuneration, in whatever form, payable to Senior Management

3. Definitions

- a. **“Board of Directors”** means the “Board of Directors” of Dr. Lal PathLabs Limited, as constituted from time to time.
- b. **“Company”** means Dr. Lal PathLabs Limited.
- c. **“Independent Director”** means a Director of the Company, not being a Managing or Whole-Time Director or a Nominee Director and who is neither a Promoter nor belongs to the Promoter Group of the Company and who satisfies the criteria of independence as prescribed under the provisions of the Companies Act 2013 (including the rules prescribed thereunder) and the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- d. **“Key Managerial Personnel”** or KMP means key managerial personnel as defined under the Companies Act, 2013 & in relation to the Company 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

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- e. **“Nomination & Remuneration Committee”** means “Nomination & Remuneration Committee” constituted by the Board of Directors of the Company from time to time under the provisions of the Companies Act 2013 (including the rules prescribed thereunder) and the Listing Obligations and Disclosure Requirements with the Stock Exchanges.
- f. **“Other employees”** means, all the employees other than Directors, KMPs and the Senior Management Personnel.
- g. **“Policy”** means the Nomination & Remuneration Policy.

“Senior Management Personnel” means, the personnel of the Company who are members of its core management team excluding Board of Directors, comprising of all members of management one level below the Chief Executive Officer/Managing Director/Whole Time Director (including chief executive office, in case he is not part of the board) and shall specifically include company secretary and chief financial officer).

In the Company’s context, it covers the KMP’s and any appointees at the “CxO” Level.

4. Constitution

- a. The Board shall determine the membership of the Nomination & Remuneration Committee.
- b. The Committee shall comprise of at least three non- executive directors, of which not less than one-half shall be independent directors.
- c. Chairman of the committee shall be an Independent Director.
- d. The Company Secretary shall act as Secretary to the committee.

5. Policy

This policy is divided into three parts:

5.1 Appointment & Removal

a. **Criteria for identifying persons who are qualified to be appointed as a Director / KMP / Senior Management Personnel / Other Employees of the Company:**

- i. The Committee shall consider the ethical standards of integrity and probity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and accordingly recommend to the Board his / her appointment.
- ii. The Committee should ensure that the person so appointed as Director/ Independent Director/ KMP/ Senior Management Personnel shall not be disqualified under the Companies Act, 2013, rules made thereunder, Listing Agreement or any other applicable enactment for the time being in force.
- iii. The Director/ Independent Director/ KMP/ Senior Management Personnel shall be appointed as per the procedure laid down under the provisions of the Companies Act, 2013, rules made thereunder, Listing Agreement or any other applicable enactment for the time being in force.
- iv. The other employees shall be appointed and removed as per the policy and procedure of the Company.

b. **Term / Tenure:**

The Term / Tenure of the Directors shall be governed as per provisions of the Companies Act, 2013 and rules made thereunder and Listing agreement as amended from time to time.

The Term/Tenure of the KMP's/Senior Management Personnel and other employees shall be as per the companies prevailing policy.

c. **Removal:**

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereunder or under any other applicable Act, rules and regulations or any other

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reasonable ground, the Committee may recommend to the Board for removal of a Director, KMP or a Senior Management Personnel.

The removal of other employees shall be as per the Company's prevailing policy.

d. **Retirement:**

The director, KMP, senior management personnel & other employees shall retire as per the relevant provisions of the Companies Act, 2013 along with the rules made thereunder and the prevailing policy of the Company, as may be applicable.

The BOD, however, will have the discretion to retain, subject to regulatory approval, if applicable, 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.

5.2 **Remuneration**

The level and composition of remuneration to be paid to the Managing Director, Whole-Time Director(s), Non-Executive Director(s), KMP's, Senior Management Personnel and other employees shall be reasonable and sufficient to attract, retain and motivate directors, KMP's, Senior Management and other employees of the quality required to run the company successfully. The relationship of remuneration to performance should be clear and meet appropriate performance benchmarks. The remuneration should also involve a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

1. **Whole Time Director(s)/ Managing Director**

The Whole Time Director(s)/ Managing Director shall be eligible for remuneration as may be approved by the Shareholders of the Company on the recommendation of the Committee and the Board of Directors. The break-up of the pay scale, performance bonus and quantum of perquisites shall be decided and approved by the Board on the recommendation of the Committee and shall be within the overall remuneration approved by the shareholders and Central Government, wherever required.

While recommending the remuneration payable to Whole Time Director(s)/ Managing Director, the Nomination and Remuneration Committee shall, inter alia, have regard to the following matters:

- Financial and operating performance of the Company

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- Relationship between remuneration and performance
- Industry/ sector trends for the remuneration paid to executive directorate

Annual Increments to the Whole Time Director(s)/ Managing Director shall be within the slabs approved by the Shareholders. Increments shall be recommended by the Nomination and Remuneration Committee to the Board of Directors at times it desires to do so but preferably on an annual basis.

2. Non-Executive / Independent Directors

i) 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 Act.

ii) Sitting Fee:

The Non- Executive / Independent Directors 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. One Lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time.

iii) 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 Act.

iv) Stock Options:

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

3. Senior Management Personnel / KMPs

The Remuneration to be paid to Senior Management Personnel / KMP's shall be based on the experience, qualification, expertise of the related personnel as well as the prevailing market conditions and shall be decided by the Board on the recommendation of Nomination and Remuneration Committee and consonance

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with the limits, if any prescribed under the Companies Act, 2013 and rules made thereunder or any other applicable enactment for the time being in force.

4. Other Employees

The power to decide structure of remuneration for other employees has been delegated to the Managing Director of the Company who shall decide the same in consultation with the Chief Human Resource Officer of the Company.

5.3 Evaluation

1. Criteria for evaluation of Directors:

As members of the Board, the performance of the individual Directors as well as the performance of the entire Board and its Committees is required to be formally evaluated annually.

Section 178(2) of the Companies Act, 2013 also mandates the Nomination and Remuneration Committee to carry out evaluation of every Director's performance.

In developing the methodology to be used for evaluation, on the basis of best standards and methods meeting international parameters, the Board / Committee may take the advice of an Independent Professional Consultant.

2. Criteria for evaluating performance of Key Managerial Personnel and Senior Management Personnel:

The performance evaluation of KMP's and Senior Management Personnel shall be done by their respective reporting heads based on the KRA's given to them at the beginning of the year.

3. Criteria for evaluating performance of Other Employees:

The performance evaluation of other employees shall be done as per Company's Policy.

6. Disclosures

This Policy shall be disclosed on the website of the Company.

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7. Amendment(s)

The Board of Directors may review or amend this policy, in whole or in part, from time to time, after taking into account the recommendations from the Nomination & Remuneration Committee.

Last amended on May 17, 2019