



SOLARA
Active Pharma Sciences

SOLARA'S NOMINATION AND REMUNERATION POLICY

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Policy Versions		
Sl. No.	Description	Date of Approval
1	Adoption of Policy	April 11, 2018
2	Amendment of Policy	January 24, 2025

1. PREAMBLE:

Solara Active Pharma Sciences Limited (hereinafter referred to as “**the Company**”) believes in conducting the affairs of the Company in a fair and transparent manner by adopting the highest standards of professionalism and good Corporate Governance Practices.

The Company is committed to ensure that remuneration paid to all directors and employees of the Company is commensurate with their role and responsibilities. In order to attract and retain properly qualified and best talent at all levels, it is the Company’s endeavor to maintain fair and competitive remuneration consistent with industry standards and practices.

Pursuant to the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (Listing Regulations), the Company is required to constitute a Nomination and Remuneration Committee which shall formulate the Nomination and Remuneration Policy (“hereinafter referred to as “the Policy”) and review the overall appointment and remuneration of Directors, Key Managerial Personnel and Senior Management Personnel of the Company. The Board may upon recommendation of the Nomination and Remuneration Committee, amend and/ or modify this Policy as and when necessary.

In case of any inconsistency between the provisions of law and this policy, the provisions of the Law shall prevail, and the Company shall abide by the applicable law.

2. DEFINITIONS

a) “Act” shall mean the Companies Act, 2013 read with the relevant Rules framed thereunder and amended from time to time.

b) “Board of Directors” or “Board” shall mean the Board of Directors of the Company.

c) “Director” shall mean a Director of the Company.

d) “Independent Director” shall mean a Director of the Company who satisfies the criteria for independence under Section 149 (6) of Companies Act, 2013 read with Regulation 16 (1) (b) of the Listing Regulations.

e) “Key Managerial Personnel (KMP)” means KMP as defined under Section 2(51) of the Act read with Regulation 2(o) of the Listing Regulations.

f) “Listing Regulations” shall mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and as amended from time to time.

g) “Committee” shall mean the Nomination and Remuneration Committee constituted by the Board of Directors of the Company in accordance with Section 178 of the Act read with Regulation 19 of the Listing Regulations and includes the “Compensation Committee” as defined under The Securities and Exchange Board of India (Shared Based Employee Benefits and Sweat Equity) Regulations 2021, as amended from time to time.

h) “Senior Management Personnel” (SMP) shall mean SMP as defined under Regulation 16(1)(d) of the Listing Regulations

3. APPLICATION OF THE POLICY:

The appointment and remuneration of Directors, Key Managerial Personnel and Senior Management Personnel of the Company will be reviewed and considered by the Nomination and Remuneration Committee with recommendations to the Board of Directors in accordance with the policy and the provisions of the Companies Act, 2013 and Listing Regulations.

4. CATEGORIES OF EMPLOYEES COVERED UNDER THIS POLICY:

- a) Directors including Whole Time/ Executive Directors and Non-Executive Directors.
- b) Key Managerial Personnel.
- c) Senior Management Personnel

5. GENERAL POLICY STATEMENT:

The Remuneration Policy of the Company is performance driven and is structured to motivate directors and employees, recognize their merits and achievements and promote excellence in their performance. Individual performance pay is determined by business performance and the performance of the individuals is measured through an appropriate appraisal process. Through compensation program, the Company endeavors to attract, retain, develop and motivate a high-performance workforce that will ensure the long term sustainability of the Company and create a competitive advantage in the industry. For the whole-time directors and employees, the Company follows a compensation mix of fixed and variable pay.

The remuneration of the Board members, Key Managerial Personnel and Senior Management Personnel is based on the Company’s size and market presence, its economic and financial position, industrial trends, compensation paid by the peer companies etc. Compensation reflects the responsibility and performance of the Board members, Key Managerial Personnel and Senior Management Personnel.

6. TERMS OF REFERENCE:

- a) To identify persons who are qualified to become Directors and who may be appointed in Senior Management in accordance with the criteria laid down in Schedule I of this policy and recommend to the Board their appointment and removal.

- b) To formulate criteria and carry out evaluation of performance of Independent directors, Board of Directors and it's Committees based upon the criteria as laid down in Schedule I of this policy.
- c) To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- d) To review the overall compensation policy, service agreement and other employment conditions of Whole Time Directors, Key Managerial Personnel and Senior Management Personnel.
- e) To monitor the implementation of Employees Stock Option Scheme which includes:
- the quantum of option to be granted under ESOS per employee and in aggregate
 - the conditions under which options shall vest in employees and may lapse in case of termination of employment or misconduct or otherwise
 - the exercise period within which the employee should exercise the vested option and the conditions under which the option would lapse either on failure to exercise within the exercise period or on termination or on resignation or otherwise
 - the right of an employee to exercise all the options vested in him/her at one time or at various points of time within the exercise period
 - the procedure for making a fair and reasonable adjustment to the number of options
 - the grant, vest and exercise of option in case of employees who are on long leave and any other matter which may be relevant for administration of ESOS Scheme from time to time.
- f) recommend to the board all remuneration, in whatever form, payable to senior management.
- g) devising a policy on diversity of board of directors;
- h) To deal with other matters as the Board may refer to the Committee from time to time.
- i) To establish and review succession plans of the Board of Directors of the Company, KMP, SMP and critical positions of the Company.
- j) For every appointment of an independent director, the Nomination and Remuneration 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.

7. APPOINTMENT

- **Appointment of Directors - General Criteria**

Board shall comprise of optimum number of Directors as is necessary to effectively manage the affairs of the Company.

Subject to a minimum of 3 and maximum of 15, the Board shall have an appropriate combination of Executive, Non-Executive, Independent and Women.

NRC shall be responsible for identifying suitable candidate for appointment as Director of the Company. While evaluating a person for appointment/ re-appointment as Director, the Committee shall consider and evaluate number of factors including but not limited to background, knowledge, skills, abilities (ability to exercise sound judgement), professional experience and functional expertise, educational and professional background, personal accomplishment, age, experience in the related sector / industry, marketing, technology, finance and other disciplines relevant to the business etc. and such other factors that the Committee might consider relevant and applicable from time to time towards achieving a diverse Board.

Proposed candidate shall possess appropriate expertise, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, medical science, pharmaceutical, corporate governance or such other areas related to the Company's business as determined by the NRC.

During the term of the office, every director shall -

- a) uphold ethical standards of integrity and probity;
- b) act objectively and constructively;
- c) exercise responsibilities in a bona-fide manner in the interest of the Company;
- d) shall be free from any disqualifications as stipulated under the Act as well as the Listing Regulations;
- e) shall be able to devote sufficient time and efforts in discharge of duties and responsibilities effectively.

Re-appointment/ extension of term of the Director shall be on the basis of their performance evaluation report.

- **Appointment of Managing Director/ Whole-Time Director**

Board based on the recommendation of the NRC shall be responsible for identifying suitable candidate for the position of Managing Director/Whole-time Director.

Terms and conditions of the appointment shall be in accordance with the provisions of Act and Listing Regulations.

- **Appointment of Independent Director**

While evaluating a person for appointment/ re-appointment as an Independent Director, the Committee shall ensure that the proposed candidate satisfies the following additional criteria:

- Meet the baseline definition and criteria of “independence” as set out in Section 149 of the Act, the Listing Regulations and other applicable laws.
- Should not hold any board / employment position with a competitor in the geographies where the Company is operating. However, the Board may in special circumstances waive this requirement.
- Has attained minimum age of 25 years and is not older than 70 years [Provided Company obtained Shareholder’s approval as specified under Regulation 17(1A)].
- Does not hold independent directorship in more than seven listed entities.
- Does not hold directorship in more than three listed entities if serving as a whole-time director in any listed entity.

An Independent Director shall be under the obligation to inform the Board of Directors of any change in circumstances which may affect his/her independence.

- **Appointment of KMP & SMP**

Managing Director and Group Chief Executive Officer (“MD & CEO”) shall be responsible for identifying suitable candidate for the position of Key Managerial Personnel i.e., Chief Financial Officer, Company Secretary and other Senior Management Personnel.

While evaluating a candidate for appointment as Key Managerial Personnel or Senior Management Personnel factors such as competence, integrity, qualifications, expertise, skills and experience shall be taken into consideration.

Appointment of Key Managerial Personnel and Senior Management Personnel shall be approved by the Board on recommendation of the NRC and the MD & CEO.

- **Appointment of Other Employees**

Appointment of other employees shall be made on the basis of the experience, qualification, expertise of the individual as well as the roles and responsibilities required for the position and shall be approved by the Human Resource Department under the overall control of the MD & CEO.

8. REMUNERATION:

Role and Type of Remuneration:

The Company recognizes the competitive nature of the market and this requires the Company to provide competitive remuneration to its directors and employees to ensure that we attract and retain efficient employees.

The remuneration of Whole-time directors/ Executive Directors, Key Managerial Personnel and Senior Management Personnel of the Company is decided based on the criteria stated in Schedule I of this policy and as per the recommendation of the Committee.

The Company shall pay remuneration to Whole-time directors/ Executive Directors Key Managerial Personnel and Senior Management Personnel by way of salary, retirement benefits, perquisites, allowances (fixed component), incentives and commission (variable component) based on the recommendation of the Committee and approval of the Board of Directors and shareholders, if applicable. Annual increments may be decided by the Committee within the salary scale approved by the members, in case of Whole-time directors/ Executive Directors.

Guaranteed Portion of Remuneration:

Whole-time directors/ Executive Directors and employees receive a guaranteed portion of their total package on a monthly basis. The total package includes both monthly compensation and guaranteed benefits such as employer's contribution to retirement funds i.e. provident fund, pension and gratuity, group Medclaim etc.

Variable Portion of Remuneration:

Performance Incentive to reward employees for performance is variable. These rewards are based on individuals, business unit or Company's performance including related pre-defined targets. Performance is measured over a 12 months' period. The remuneration policy should accordingly be considered in the greater human resource context.

Remuneration of Non-Executive Directors:

Non-Executive Directors are paid remuneration by way of sitting fees for attending Board and Audit Committee Meetings within the limit prescribed under the Act. Commission, if

any, may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% p.a. of the profits of the Company (computed in accordance with the Act).

An Independent Director shall not be entitled to any stock option and may receive remuneration by way of fees provided under sub-section (5) of Section 197 of the Act, reimbursement of expenses for participation in the Board and other meetings and profit related commission, if any, as may be approved by the members of the Company.

KMP & SMP related payouts

Payouts related to KMP & SMP are recommended by MD/ Group CHRO to NRC at the time of appointment and during annual appraisal.

Increment in remuneration and related payouts is based on evaluation of individual performance and company performance.

Board shall have the final authority to approve the remuneration, based on recommendation of NRC.

9. DIRECTORS AND OFFICERS LIABILITY INSURANCE POLICY:

All directors and officers (including Key Managerial Personnel and Senior Management Personnel) of the Company would be covered by the requisite Directors and Officers Liability Insurance Policy of the Company.

10. COST MANAGEMENT:

The objective of remuneration cost management is the importance of the directors and employee's role, thereby reflecting their relative work to the Company. Cost management does not necessarily imply a reduction of overall salary and bill but rather the correct allocation thereof. The Finance department in conjunction with Human Resource department should manage remuneration costs within budgetary constraints, while ensuring the remuneration levels of competent, exceptional performers and key employees are positioned competitively against the market.

Any amount paid in excess to director other than prescribed under the Act shall be refunded by the director and the company cannot waive the same.

11. RETIREMENT POLICY:

Company shall not appoint a person or continue the directorship of any person as a:

- Independent Director or Executive Directors who has not completed the age of 21 years;
- Managing Director or Whole-Time Director who has attained the age of 70 years;
- Non-Executive Director who has attained the age of 75 years.

However, with approval of the Shareholders by way of Special Resolution, the Company may appoint or continue the term of Executive Directors who has attained the age of 70 years and Non-Executive Director who has attained the age of 75 years.

Further, retirement age of KMP and SMP is 58 years and any extension at the discretion of the Company and as may be mutually agreed by the Company and KMP/ SMP may be provided subject to approval of the Committee.

The Company has adopted policy for offering retirement benefits including pension, ex-gratia, gratuity, medical etc. to its whole time directors and employees of the Company.

12. REMOVAL OF DIRECTORS & TERMINATION OF SERVICES OF ALL OTHER EMPLOYEES

a. Removal of Directors

Removal of Directors shall be in line with the provisions of Section 169 of the Act and Rules made thereunder. Further, pursuant to the provisions of Section 167 of the Act, office of a director shall become vacant in case:

- (a) he incurs any of the disqualifications specified in section 164;
- (b) he absents himself from all the meetings of the Board of Directors held during a period of twelve months with or without seeking leave of absence of the Board;
- (c) he acts in contravention of the provisions of section 184 relating to entering into contracts or arrangements in which he is directly or indirectly interested;
- (d) he fails to disclose his interest in any contract or arrangement in which he is directly or indirectly interested, in contravention of the provisions of section 184;
- (e) he becomes disqualified by an order of a court or the Tribunal;
- (f) he is convicted by a court of any offence, whether involving moral turpitude or otherwise and sentenced in respect thereof to imprisonment for not less than six months.
- (g) he is removed in pursuance of the provisions of this Act;
- (h) he, having been appointed as director by virtue of his holding any office or other employment in the holding, subsidiary or associate company, ceases to hold such office or other employment in that company.

In addition to the above, employment contract of Executive Directors is terminable by either party by giving advance notice of such period as stipulated in their contract.

b. Termination of services of all other Employees

Employment contract of other Employees is terminable by either party by giving advance notice of such period as stipulated in their appointment letter or agreed between the parties, as the case may be. Further for such termination, either of the party is not bound to give any reasons thereof.

An employee may also be terminated from her/ his position in circumstances when found guilty of misconduct or fraudulent, after appropriate inquiry.

Due to reasons for any disqualifications mentioned in the Act or Listing Regulations, the Committee may recommend to the Board with reasons recorded in writing, removal of Director, KMP or SMP, subject to compliance of the said Act and Listing Regulations.

13. REPORTING REQUIREMENTS:

This policy shall be disclosed every year in the Board's Report to the shareholders of the Company.

14. POLICY REVIEW

The Policy shall be subject to review as may be deemed necessary and in accordance with any regulatory amendments. Further, the Company Secretary shall be severally authorized to amend the Policy, solely to give effect to any changes/ amendments notified by Ministry of Corporate Affairs or Securities and Exchange Board of India, which shall be further ratified by the Committee and the Board in immediate next quarterly Meeting, post the amendment(s) that may be made by the Company Secretary.

Schedule 1

Criteria for appointment, related remuneration for Directors, Key Managerial Personnel and Senior Management Personnel of the Company.

- At the time of selection of a Director, Key Managerial Personnel and Senior Management Personnel, the Company must examine the integrity of the person and possession of relevant expertise, positive attributes, qualifications and experience.
- In case of appointment of Independent Director, the Company must observe the pecuniary relationship of such Director and their relatives with the promoters and group companies including the criteria of independence and other conditions as prescribed by the Act and Listing Regulations. The performance evaluation of Independent Directors shall be done by the entire Board of Directors, excluding the director being evaluated.
- The level and composition of remuneration should be reasonable and sufficient to attract, retain and motivate Directors and Key Managerial Personnel to run the Company successfully.
- Relationship of remuneration to performance should be clear and meet appropriate performance benchmarks [refer schedule II].
- Remuneration of directors and Key Managerial Personnel 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.
- **External Competitiveness:** The quantum and nature of the total offering to Directors, Key Managerial Personnel and Senior Management Personnel should commensurate with the industry standards and benchmarks and the ability of the Company in recruiting and retaining them. The appropriate mix of guaranteed cash benefits and incentives should enhance the Company's ability to motivate them in a manner that will improve the Company's competitiveness.
- Remuneration should be compatible with risk policies and systems.
- The Independent Directors shall review the performance of the non-independent directors.
- The Independent Directors shall assess the quality, quantity and timelines of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Schedule II

PERFORMANCE MANAGEMENT

INTRODUCTION

Performance Management at Solara is an ongoing process that enables individuals to clearly understand what is expected of them, how they are performing against those expectations and how this supports the overall goals of the business & organization.

Performance Management is how one work with their manager and peers throughout the year to help improve one's performance – agreeing on expectations through goal setting, providing regular & on-going feedback, quarterly / half yearly / midyear reviews and finally a year-end review process.

EVALUATION CRITERIA

Sl. No	Evaluation Criteria	Far Exceeded	Exceeds	Met	Partially Met	Not Met
1	Compliance					
2	Growth					
3	Operational Efficiency					
4	Talent Development					

Process

Step 1: Finalization of the Strategy by the Group CEO & MD

Step 2: Flow down of goals around Revenue and Growth Initiatives

Measurement

All goals and objectives are rated on a 5 point scale. Every line item is given weightage in the beginning of the performance cycle which is then evaluated on the progress made every quarter.

The following are the details:

- Far exceeded - 110 to 125% of the allotted marks
- Exceeded – 100 to 110 % of the allotted marks
- Met expectations – 90 to 100% of the allotted marks
- Partially met – 60% of the allotted marks
- Not met – 0 marks