



## **Abbott India Limited**

### **Policy on Nomination and Appointment of Directors/ Criteria for Appointment of Senior Management**

#### **1. Purpose:**

- 1.1 In terms of Section 178 of the Companies Act, 2013, rules made thereunder and the Listing Agreement entered into by the Company with Stock Exchanges, the Nomination and Remuneration Committee is, inter alia, required to determine the appropriate size and composition of the Board, formulate criteria for identifying suitable candidates for the position of Directors and Senior Management and criteria for determining the qualifications, positive attributes and independence of director, devise succession plan and recommend to the Board appointment and removal of Board and Senior Management personnel.
- 1.2 This Policy shall act as a guideline for determining qualifications, positive attributes, and independence of a Director and matters related to the appointment and removal of Directors and Senior Management.

#### **2. Objective:**

- 2.1 This Policy would lay down criteria and terms and conditions with regard to identifying persons who are qualified to become Directors (Executive, Non-executive and Independent) and Senior Management, including their qualifications, positive attributes and independence.

#### **3. Criteria for appointment of Directors:**

- 3.1 The following characteristics shall be taken into consideration when selecting nominees for the Board of Directors. Individual nominees do not need to satisfy all the qualifications listed below and there is no requirement that all qualifications be represented on the board.
- 3.2 In addition to the specific characteristics set forth below, board members should, at a minimum, have backgrounds that when combined provide a portfolio of experience and knowledge that will serve Abbott's governance and strategic needs. Board candidates will be considered on the basis of a range of criteria including broad-based business knowledge and relationships, prominence and excellent reputations in their primary fields of endeavor, as well as a broad business perspective and commitment to good corporate citizenship. Directors should have demonstrated experience and ability that is relevant to the Board of Directors' oversight role with respect to Abbott's business and affairs.
- 3.3 Strong management experience, ideally with major public companies with successful multinational operations, including, but not limited to:
  - 3.3.1 Active or recently retired Chairmen and Chief Executive Officers.
  - 3.3.2 Presidents and Chief Operating Officers.

- 3.3.3 Executive or Group Vice Presidents with short term potential for movement to item 3.3.1 or 3.3.2 above.
- 3.4 Other areas of experience which are desirable for representation on the Abbott board, include, but are not limited to:
  - 3.4.1 Medicine.
  - 3.4.2 Marketing.
  - 3.4.3 Medical and Scientific Research and Development.
  - 3.4.4 Finance.
  - 3.4.5 International Business.
- 3.5 Other qualifications that would be helpful in addition to the above, include, but are not limited to:
  - 3.5.1 Senior level government experience.
  - 3.5.2 Academic administration.
- 3.6 The board shall include a range of ages and a diversity of ethnicity, gender and geography.
- 3.7 Primary characteristics required in new board candidates:
  - 3.7.1 They must be first and foremost able and willing to represent the shareholders' short-term and long-term economic interests.
  - 3.7.2 They must be able to contribute to the evaluation of the existing management of the Company.
  - 3.7.3 They must also be cognizant of the responsibilities of the Company to:
    - Its employees
    - Its customers
    - Social issues
    - Regulatory authorities
  - 3.7.4 They must be willing to take the necessary time to properly prepare for board and committee meetings at a minimum based on a thorough review of the material supplied before each board meeting.
- 3.8 Primary characteristics required for renomination of incumbent directors.
  - 3.8.1 Incumbent directors should continue to meet the general qualifications outlined above and, in addition, should abide by the following criteria:
    - 3.8.1.1 Adequate preparation for board and committee meetings, including a thorough review of and familiarity with the written materials supplied before each meeting.
    - 3.8.1.2 Participation in and contributions to board and committee discussions through useful and pertinent suggestions, questions, and comments.

- 3.8.1.3 Providing on-going advice and counsel to management on the director's own initiative and when requested by management.
- 3.8.1.4 Regular attendance at board and committee meetings.
- 3.8.1.5 Maintaining an independent familiarity with the external environments in which the Corporation operates and especially in the director's own particular fields of expertise.

#### **4. Other Positive Attributes for Directors:**

- 4.1 It is desirable that candidates proposed for Directorship possess the following positive attributes:
  - 4.1.1 Any post-graduation qualifications from reputed business schools/ universities in India or abroad;
  - 4.1.2 Experience and expertise in dealing with strategic issues and long-term perspectives;
  - 4.1.3 Strong leadership experience, a superior knowledge of business principles and capacity for independent thought and exercising independent judgment;
  - 4.1.4 Ability to participate constructively in deliberations at board meetings;
  - 4.1.5 Willingness to exercise authority in a collective manner;
  - 4.1.6 Inquisitive and objective perspective, practical wisdom and mature judgment;
  - 4.1.7 Self-confidence to contribute to board deliberations and stature such that other board members will respect his or her view;
  - 4.1.8 Capable of devoting sufficient time and attention to his / her professional obligations for informed and balanced decision making;
  - 4.1.9 Focused towards the Company and generous/open minded towards the team;
  - 4.1.10 Fit and proper person of impeccable integrity, reputation and character; absence of convictions and restraint orders; and competence including financial solvency and net worth.

#### **5. Independence:**

- 5.1 In case of appointment of Independent Director, the candidate shall meet the criteria of Independence as set out in Annexure I.

#### **6. Criteria for Appointment of Senior Management:**

- 6.1 Individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all stakeholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives.

## **7. Appointment Mechanism:**

- 7.1 The Nomination and Remuneration Committee shall play a consultative role for any appointment requiring Board approval, as stipulated by law or regulation, for Directors, Key Managerial Personnel and Senior Management officials. It shall provide its advice and recommendations to the Board.
- 7.2 The Managing Director/Executive Directors/ Non- Executive Directors/ Key Managerial Personnel are appointed by the Board of Directors upon recommendation from the Nomination and Remuneration Committee.
- 7.3 Senior Management Personnel shall be appointed by the Company as per Company policies.

## **8. Term/ Tenure:**

### **8.1 Managing Director/ Executive Directors:**

- 8.1.1 Managing Director/ Executive Directors shall retire as per the applicable provisions of the Companies Act, 2013 or rules made thereunder or the prevailing Abbott India Limited guidelines on retirement of Directors, whichever is earlier.
- 8.1.2 The Board will have the discretion to retain the retiring Director in the same position even after attaining the retirement age, for the benefit of the Company.
- 8.1.3 Special resolution needs to be passed for appointment / re-appointment of Director in the position of Managing Director / Executive Directors who have attained age of 70 years.

## **9. Independent Director:**

- 9.1 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 for another term up to 5 consecutive years on passing of a special resolution by the Company and disclosure of such appointment in the Board's Report.
- 9.2 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.

## **10. Non- Executive Director (other than Independent Director):**

- 10.1 Other non- executive Directors shall retire by rotation as per the applicable provisions of the Companies Act, 2013 or Rules made thereunder, as amended from time to time.

## **11. Key Managerial Personnel and Senior Management:**

- 11.1 Key Managerial Personnel and Senior Management shall retire as per the Company policy or their employment terms.

## **12. Removal:**

- 12.1 The Committee may recommend to the Board with reasons recorded in writing, removal of an Independent Director, Key Managerial Personnel or Senior Management Personnel subject to the provisions and compliance of the Companies Act, 2013, rules made thereunder and other applicable regulations and applicable policies of the Company.

## **13. Succession Planning:**

- 13.1 Succession Planning for Abbott's senior management positions is critical to Abbott's long-term success. The Nomination and Remuneration Committee shall annually review and confer with the Managing Director and the HR Director regarding Abbott's succession plans and report and make recommendations on them to the Board of Directors.

## **14. Review of the Policy:**

- 14.1 This Policy shall be subject to review by the Committee at such intervals as may be deemed necessary. Changes (if any) recommended by the Committee shall be placed before the Board for its approval.

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## **1. Criteria for Independence:**

- 1.1 A Director is considered Independent if the Board makes an affirmative determination after a review of all relevant information. In order for a Director to be considered Independent, the Director:
- 1.1.1 Shall not be Managing Director or a Whole time Director or a Nominee Director.
  - 1.1.2 Shall be a person of integrity and shall possess relevant expertise and experience.
  - 1.1.3 Shall not be a promoter of the Company or its holding, subsidiary or associate Company.
  - 1.1.4 Shall not be related to promoters or Directors in the Company, its holding, subsidiary, or associate Company.
  - 1.1.5 Apart from receiving Director's remuneration, shall not have any pecuniary relationships with the Company, its holding, its subsidiaries, its associate companies, its promoters, or Directors, during the current financial year or immediately preceding two financial years.
  - 1.1.6 Relatives should not have or had pecuniary relationships or transactions with the Company, its holding, subsidiary or associate Company, or their promoters, or Directors, amounting to 2% or more of its gross turnover or total income or INR 50 Lakhs or such amount as the Company may prescribe, whichever is lower, during the two immediately preceding financial years or during the current financial year.
  - 1.1.7 Neither himself / herself nor any of his / her relatives shall hold or has held the position of a Key Managerial Personnel or is or has been employee of the Company or its holding, subsidiary or associate Company in any of the

three financial years immediately preceding the financial year in which he is proposed to be appointed.

- 1.1.8 Neither himself / herself nor any of his / her relatives is or has been an employee or proprietor or a partner, in any of the 3 financial years immediately preceding the financial year, of:
  - 1.1.8.1 A firm of auditors (Internal / Statutory) or Company secretaries in practice or cost auditors of the Company or its holding, subsidiary or associate company;
  - 1.1.8.2 Any legal or a consulting firm that has or had any transaction with the Company, its holding, subsidiary or associate Company amounting to 10% or more of the gross turnover of such firm;
  - 1.1.8.3 holds together with his relatives 2% or more of the total voting power of the Company;
  - 1.1.8.4 a Chief Executive or Director, by whatever name called, of any nonprofit organization that receives 25%, or more of its receipts from the Company, any of its promoters, Directors or its holding, subsidiary or associate Company or that holds 2%, or more of the total voting power of the Company.
- 1.1.9 Has not held office for more than 2 consecutive terms on the Board of the Company.
- 1.1.10 Should not be a material supplier, service provider or customer or a lessor or lessee of the Company.
- 1.1.11 Shall not be of less than 21 years of age.

## **2. Definition for the said purpose:**

- 2.1 “Nominee Director” implies a Director nominated by any financial institution in pursuance of the provisions of any law for the time being in force, or of any agreement, or appointed by any government or any other person to represent its interests.
- 2.2 “Associate Company” implies a Company which is an “associate” as defined in Accounting Standard (AS) 23, “Accounting for Investments in Associates in Consolidated Financial Statements”, issued by the Institute of Chartered Accountants of India.
- 2.3 “Relative” implies anyone who is related to another if they are members of HUF; if they are husband and wife; or if one person is related to the other in such manner as may be prescribed. A person shall be deemed to be the relative of another, if he or she is related to another in the following manner, namely – Father (includes step-father), Mother (includes step-mother), Son (includes step-son), Son’s wife, Daughter, Daughter’s husband, Brother (includes step-brother), Sister (includes step-sister).

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