

DR. REDDY'S LABORATORIES LIMITED

NOMINATION, GOVERNANCE AND COMPENSATION COMMITTEE CHARTER

1 Primary Objectives

The Nomination, Governance and Compensation Committee is constituted by, and accountable to, the Board of Directors (or the 'Board') of Dr. Reddy's Laboratories Limited ('DRL' or 'the Company').

Its primary responsibilities are to:

- Periodically examine the structure, composition and functioning of the Board, and recommend changes, as necessary, to improve the Board's effectiveness;
- Assess the Company's policies and processes in key areas of corporate governance, other than those explicitly assigned to other Board Committees, with a view to ensuring the Company is at the forefront of good corporate governance; and
- Regularly examine ways to strengthen the Company's organizational health, by improving the hiring, retention, motivation, development, deployment and behavior of management and other employees. In this context, the Committee will also review the framework and processes for motivating and rewarding performance at all levels of the organization, will review the resulting compensation awards, and will make appropriate proposals for Board approval. In particular, it will recommend all forms of compensation to be granted to Directors, executive officers and senior management employees of the Company.

2 Composition

The Committee shall include at least three independent Directors¹. The Chairman of the Committee shall be designated by the Board.

3 Secretary

The Corporate Officer responsible for Human Resources shall act as Secretary to the Committee.

4 Quorum

The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the Nomination, Governance and Compensation Committee; whichever is greater.

5 Meetings

The Committee will normally meet prior to each regularly scheduled quarterly meeting of the Board or at such other time as deemed fit by it.

6 Authority

The Committee shall have free access to management and management information. The Committee, at its sole authority, may seek the advice of outside experts or consultants at the company's expense where judged necessary, to discharge its duties and responsibilities.

7 **Specific responsibilities**

- Periodically oversee an evaluation of the Board, and recommend desirable changes in Board size, composition, Committee structure and processes, and other aspects of the Board's functioning;
- Recommend new Board members in light of resignation of current members or a planned expansion of the Board;
- Review stockholder proposals relating to Board's composition and recommend an appropriate course of action;
- Review key corporate governance processes not specifically assigned to other committees, and recommend changes needed to ensure that the company is at best practice;
- Examine the impact of significant regulatory and statutory changes applicable to the governance practices of the Company, and to recommend measures to implement the same;
- Examine all major aspects of the Company's organizational health, and recommend changes as necessary, including
 - Organization design;
 - Management and employee hiring, training, development, deployment and motivation; and
 - Internal communication and culture building.
- Review and recommend the compensation and variable pay for Executive Directors to the Board;
- Establish, in consultation with the management, the compensation program for the Company, and recommend it to the Board for approval. In that context:
 - Establish annual Key Result Areas (KRAs) for CEO and COO and oversee the evaluation of their achievement and review and recommend salary and variable pay of CEO, COO and Executive Directors accordingly to the Board;
 - Review, discuss and provide guidance to the management, on the KRAs for members of the Management Council; review the outcome of evaluation processes and resulting senior management's compensation;
 - Review the Company's ESOP Schemes and recommend changes as necessary; oversee administration of the ESOP Schemes:
 - Grant Options to eligible employees, in consultation with management; and
 - Allot shares/ADRs when options are exercised.
- Review the ombudsman process and outcome of investigation, if any.
- Perform other activities related to this Charter as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.

8 **Reporting**

The Committee shall report on its activities, and summarize any recommendations; at each quarterly Board meeting. It shall also draft an appropriate report for inclusion in the Company's annual report.

9 **Evaluation**

- The Committee, if deemed necessary, may conduct a performance evaluation relative to its purpose, duties, responsibilities and effectiveness and recommend, any changes, it considers necessary for the approval of the Board of Directors.
- The Committee may conduct such evaluation and reviews at such intervals and in such manner as it deems appropriate.

10 **Review of Nomination, Governance and Compensation Committee Charter**

The adequacy of this charter shall be reviewed and reassessed by the Committee at such intervals as the Committee deems appropriate and recommendations, if any shall be made to the Board to update the same from time to time.

Approved by: Board of Directors on January 25, 2011

ⁱ Independence of such Directors shall be decided upon by the Board and in accordance with the applicable rules and regulations of Clause 49 of the Listing Agreement and other requirements laid down by the Securities & Exchange Board of India (SEBI), the Companies Act, 1956, the New York Stock Exchange (NYSE), the Securities Exchange Act of 1934 of the United States of America and such other legal and regulatory environment that may be applicable to the Company.