

SMS PHARMACEUTICALS LIMITED

NOMINATION AND REMUNERATION POLICY

Adopted by the Board of Directors on 08th February, 2024

I) PREAMBLE

In accordance with the provisions of Section 178 of the Companies Act, 2013 read with the applicable rules made thereunder and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (together referred to as “Applicable Laws”), Nomination & Remuneration Committee of the Board of Directors of the Company is required to recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel and Senior Management.

This Nomination and Remuneration Policy provides the framework defining the criteria with regard to qualifications, attributes of a person to be appointed as a Director and also on remuneration of members of the Board of Directors, Key Managerial Personnel and other senior management personnel of the Company.

This Policy aims to attract, retain and motivate the Members of the Board of Directors and Key Managerial Personnel and senior management of the Company by remunerating them reasonably and sufficiently to run the Company successfully. The Policy reflects the Company's objectives for good corporate governance as well as sustained long-term value creation for Stakeholders including Shareholders.

II) DEFINITIONS

Definitions of some of the key terms used in this mechanism are given below:

- a. **“SEBI”** means Securities & Exchange Board of India.
- b. **“Policy”** means Nomination and Remuneration Policy and as may be amended from time to time.
- c. **“Company”** means SMS Pharmaceuticals Limited.

- d. **“Regulations”** mean SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 including any modifications, clarifications, circulars or reenactment thereof.
- e. **“Key Managerial Personnel”** or **“KMP”** refers to Key Managerial Personnel as defined under Section 2(51) of the Companies Act, 2013:
 - 1. The Chief Executive Officer or the Managing Director or the Manager;
 - 2. The Company Secretary
 - 3. The Whole Time Director
 - 4. The Chief Financial Officer
 - 5. Such other officer, not more than one level below the directors who is in whole time employment, designated as key managerial personnel by the Board and;
 - 6. Such other officer as may be defined under the Act from time to time
- f. **“Senior Management Personnel”** shall mean officers/personnel of the Company who are members of its core management team excluding Board of Directors and normally this shall comprise all members of management one level below Managing Director, Whole Time Director, including the functional heads, Company Secretary and Chief Financial Officer.

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.

III) APPLICABILITY

This policy is applicable to Directors (Executive, Non-Executive and Independent), Key Managerial Personnel and Senior Management Personnel.

IV) GUIDING PRINCIPLES

The guiding principle of this Policy is that the remuneration and other terms of employment shall be competitive enough to ensure that the Company can attract, retain and motivate right kind of human resource for achieving the desired growth set by the Company’s management year on year thereby creating long-term value for all Stakeholders of the Company.

While designing the remuneration package, efforts are to be made to ensure that the remuneration matches the level in comparable companies, whilst also taking into consideration their required competencies, qualifications, industry experience, effort required and the scope of the work.

The Committee while considering a remuneration package ensure a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

The Committee considers that a successful remuneration policy must ensure that a significant part of the remuneration package is linked to the achievement of corporate performance targets and a strong alignment of interest with Stakeholders.

V) **BOARD DIVERSITY**

- The Committee in their nomination process and while making recommendations to the Board shall endeavor to have an optimum combination of directors from different fields and gender.
- The Committee believes that a diverse and inclusive Board will be able to leverage different skills and perspectives, which is essential for achieving long-term growth and development.
- The criteria for determining qualifications, positive attributes and independence while evaluating a person for appointment /re-appointment as Director, with no discrimination on the grounds of ethnicity, nationality, gender or race or any other such factor.
- While reviewing the composition of the Board, the Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above.

VI) APPOINTMENT AND REMOVAL OF DIRECTORS, KMPS AND SENIOR MANAGEMENT

• **APPOINTMENT AND QUALIFICATIONS CRITERIA:**

- 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. A person, to be appointed as Director, should possess impeccable reputation for integrity, deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth and complementary skills in relation to the other Board members.
- d. For the purpose of identifying suitable candidates, the Committee may;
 - use the services of an external agencies, if required;
 - consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - consider the time commitments of the candidates.
- e. The Company shall appoint or continue the employment of a person as Managing Director / whole time Director and non-executive Director as prescribed under relevant laws.

• **TERM / TENURE:**

The term and tenure of the appointment of Executive Directors and Independent Directors shall be as per the applicable provisions of the Companies Act, 2013. For the KMP and senior management personnel the Company's HR Policies would be applicable as amended from time to time.

• **EVALUATION:**

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

- **REMOVAL:**
Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend, to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules and regulations.
- **RETIREMENT:**
The Director, KMP and Senior Management Personnel 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 Director, KMP, Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

VII) POLICY RELATING TO THE REMUNERATION OF NON-EXECUTIVE DIRECTORS, EXECUTIVE DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL:

A. General

1. The remuneration / compensation / commission/ remuneration based on profit etc., to be paid to Directors will be determined by the Committee and recommended to the Board for approval.
2. The remuneration and commission to be paid to the Managing Director/Whole-time Director/ Executive Director shall be in accordance with the provisions of the Act, and the rules made thereunder.
3. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders in the case of Managing Director/ Whole-time Director.
4. 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.

B. Remuneration of Executive Directors

The Remuneration/ Compensation/ Commission/ remuneration based on profits etc., to be paid to Executive Directors shall be governed as per provisions of the Companies Act, 2013 and rules made there under or any other enactment for the time being in force. The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors, as it may consider appropriate with regard to remuneration to Executive Director.

C. Remuneration to Non- Executive Directors

Non-Executive Directors are eligible for sitting fees and profit related commission in addition to reimbursement of expenses for attending the meetings of the Board and its Committees as per prevailing law.

Sitting Fees: Non-Executive Directors may receive remuneration by way of fees for attending the meetings of the Board or Committee thereof provided that the amount of such fees shall not exceed rupees one lakh per meeting of the Board or Committee or any such amount as may be prescribed under the Applicable Laws from time to time.

An Independent Director shall not be entitled to any stock option issued or proposed to be issued by the Company.

The performance of the Non-Executive Members of the Board shall be reviewed by the Board on an annual basis.

Any remuneration paid to Non-Executive Director for services rendered which are of professional in nature shall not be considered as part of the remuneration for the purposes mentioned above if the following conditions are satisfied:

- The Services are rendered by such Director in his capacity as the professional nature; and
- In the opinion of the Committee, the director possesses the requisite qualification for the practice of that profession.

D. Remuneration to Key Managerial Personnel and Senior Management:

The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the

Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force and in accordance with the Company's Policy. The Fixed pay shall include monthly remuneration, employer's contribution to Provident Fund, contribution to pension fund, pension schemes, etc., as decided from time to time. The Incentive pay shall be decided based on the balance between performance of the Company and performance of the Key Managerial Personnel and Senior Management, to be decided annually or at such intervals as may be considered appropriate.

VIII) REVIEW AND AMENDMENT IN POLICY:

The Nomination and Remuneration Committee or the Board may review the Policy as and when it deems necessary. The Company shall reserve the rights to make amendment to the Policy from time to time as it deems fit in accordance with the applicable laws, rules and regulations for the time being in force. Earlier this policy was a part of code of business conduct and ethics for Board of Directors and Senior Management Personnel.