

Haleos Labs Limited

(Formerly known as "SMS Lifesciences India Limited")

Nomination and Remuneration Policy

Introduction

Nomination and Remuneration Policy ("Policy") of Haleos Labs Limited ("**Company**") is formulated under the requirements of the Companies Act, 2013 and the rules formulated thereunder, as amended and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

This Policy is intended to be in conformity with the Companies Act, 2013 as on the date of its adoption.

However, if due to subsequent modifications in the Companies Act, 2013 and / or SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, if any provision of this Policy or any part thereof becomes inconsistent, the amended provisions shall prevail.

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, KMPs, Senior Management Personnel and other employees.

This Policy shall be available at the website of the Company at haleoslabs.com/policies

Objective

The Policy is framed with the following objective(s):

- ✚ that 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;
- ✚ that the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- ✚ that the remuneration of Directors, KMPs, and Senior Management 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;
- ✚ to lay down criteria and terms and conditions with regard to identifying persons who are qualified to be appointed to the position of Directors, KMPs and Senior Management Personnel, and to determine their remuneration;
- ✚ to determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the industry;

- ✚ to ensure the financial and operating performance of the Company over the preceding three years is considered while determining the remuneration;
- ✚ to ensure there is a principle of proportionality while determining the remuneration;
- ✚ to evaluate the performance of Directors, KMPs, and Senior Management Personnel, and to provide for reward(s) linked directly to their effort, performance, dedication and achievement relating to the Company's operations; and
- ✚ to retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create a competitive advantage.

Applicability

This Policy is applicable to:

- (i) Directors, (ii) KMPs, (iii) Senior Management Personnel and (iv) other employees of the Company.

Definitions

In this Policy unless the context otherwise requires:

- ✚ **'Board of Directors'** or **'Board'** means the collective body of the directors of the Company.
- ✚ **'Director(s)'** means a Director of the Company, including Executive Directors, Non-executive Directors and Independent Directors.
- ✚ **'Independent Director(s)'** means a Director referred to in Section 149 (6) of the Companies Act, 2013 and Reg 16(1)(b) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ✚ **'KMP'** means (i) Managing Director, (ii) Chief Financial Officer, (iii) Company Secretary.
(Such other persons as defined under Section 2(51) of the Companies Act, 2013)
- ✚ **'Managing Director'** means a Director referred to in Section 2(54) of the Companies Act, 2013.
- ✚ **'Senior Management Personnel (SMP)'** means the employees of the Company who are members of its core management team (excluding the Board of Directors) i.e. it would comprise of all members of the management of the Company one level below Managing Director, Whole Time Director, including the functional heads, Company Secretary and Chief Financial Officer.

[Note: criteria of SMP has ben broadened w.e.f. 17th January, 2023 pursuant to SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2023.]

- ✚ **'Whole Time Director'** means a Director in the whole time employment of the Company.
- ✚ **"Executive Director"** means a Whole Time Director as defined above and definition of "Non-Executive Director" has to be constituted accordingly.

Appointment Process

- Nomination and Remuneration Committee (NRC) shall identify and ascertain the integrity, qualification, expertise and experience of a person for appointment as Director / KMP / Senior Management Personnel, and make recommendations to the Board regarding their appointment.
- Person should possess adequate qualification, expertise and experience for the position he is being considered for appointment. Accordingly, the NRC has discretion to decide whether qualification, expertise and experience possessed by such person is sufficient / satisfactory for the concerned position.
- Appointment of Directors is subject to compliance with Section 164 of the Companies Act, 2013 and provisions of other applicable laws and shall not be debarred from holding the office of Director by virtue of any SEBI order or any other authority, pursuant to NSE and BSE Circular dated June 20, 2018.
- Appointment of Independent Directors shall be subject to compliance with Section 149 of the Companies Act, 2013 read with Schedule IV and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. He shall be registered with Independent Directors databank as per Rule 6 (1) of Companies (Appointment and Qualification of Directors) Rules, 2014.
- 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.
- Company shall not appoint or continue the employment of any person as Director as mentioned below provided that the term of the person holding this position may be extended beyond the age with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond the age as mentioned below:

Executive Director	Non-Executive Director
70 years	75 years

- Approval of Shareholders shall be sought within next general meeting or 3 (three) from the date of appointment as per SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021. **(Note – appointment shall also include reappointment)**

Term / Tenure

Executive Director.

Company shall appoint or re-appoint any person as its Executive Director for a term not exceeding 5 (five) years at a time. No re-appointment shall be made earlier than one year before the expiry of term.

At the time of appointment, it should be ensured that:

- a) Such Director should not serve in more than 7 (seven) listed companies.
- b) Such Director should not act as an Independent Director in more than 3 (three) listed companies.

Note: Listed companies means only those companies whose equity are listed.

Independent Director.

Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board, and will be eligible for re- appointment for 2nd term on passing of a special resolution by the Company and disclosure(s) of such appointment in the Board's report.

No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of 3 (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.

Note:

- i. 1 (one) Independent Director of the Company, as approved by the Board, shall act as "Independent Director" in the material subsidiary company as per Regulation 24(1) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- ii. Alternate Director for Independent Director is not permissible.
- iii. 1 (one) Independent Director' Meeting shall be held during every financial year.
- iv. No Independent Director can be appointed as a Director in any Group companies during the tenure and till 1 (one) year from cessation as Independent Director.
- v. Independent Director shall not be entitled to any stock option.

Non-Executive Director.

Non-Executive Director, who is serving continuously on the Board without having obtained shareholders' approval in the last 5 (five) years, is required to obtain the approval of shareholders for his continuation as a Director in the general meeting held after April 1, 2024 onwards as per Regulation 17(ID) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

[Note – Directors retiring by rotation shall not fall under the aforesaid criteria.]

Vacancy

Any vacancy of KMPs (i.e. MD, WTD, CFO & CS) is required to be filled at the earliest. Maximum time available is 3 (three) months from the date of vacancy in line with SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2023.

However, the vacancy may be filled up by appointment of a person in the interim capacity so as to ensure that the position and its responsibilities are adequately taken care of till such time the management finds a suitable candidate to hold the said position for the regular official period. Further, all the obligations under the various laws will be applicable to such a person appointed for the interim period.

Removal

Nomination and Remuneration Committee may recommend to the Board, with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel, subject to compliance with the provisions of the Companies Act, 2013 and any other applicable laws.

Retirement

Directors, KMPs and Senior Management Personnel shall retire as per the applicable provisions of the Act, and the prevailing policy of the Company.

Remuneration Process

Remuneration along with various perquisites and allowances etc. to be paid to the Directors will be determined by the Nomination and Remuneration Committee (NRC) and recommended to the Board and shareholders of the Company for approval and the same shall be in accordance with the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Note: profit-linked commission and Annual Bonus shall be paid to Executive Directors as may be decided by the Board of Directors, based on the recommendation of the NRC from time to time after considering the annual performance of the Company.]

Remuneration of KMPs, Senior Management Personnel and other employees of the Company shall be determined in accordance with the internal processes of the Company.

Matters relating to the remuneration, perquisites for:

 **Executive Director.**

Remuneration: Executive Director shall be eligible for remuneration as may be approved by the shareholders of the Company on the recommendation of the Nomination and Remuneration Committee (NRC) and the Board.

Along with the remuneration, Executive Directors shall also be eligible for various perquisites and allowances, profit-linked commission, Annual Bonus, employer's contribution to the provident fund, pension scheme, medical expenses etc. as may be decided and approved by the Board on the recommendation of the NRC, and shall be within the overall remuneration approved by the shareholders of the Company on the recommendation of the NRC and the Board of Directors.

Minimum Remuneration: If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Executive Directors as approved by the shareholders of the Company on the recommendation of the NRC and the Board of Directors in accordance with the provisions of Schedule V of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Refund of excess remuneration: If any Executive Director draws or receives, directly or indirectly by way of remuneration in excess of the limits duly approved by the shareholders, then the Director shall refund such sums to the Company, within a period of 2 (two) years and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum unless approved by the Company by way of a special resolution within 2 (two) years from the date on which the sum becomes refundable.

✚ Non-Executive / Independent Director.

Sitting Fees: Nomination and Remuneration Committee (NRC) may recommend to the Board for payment of sitting fees to the Directors. Quantum of sitting fees and commission [within regulatory limits] will be reviewed and determined by the Board on recommendation of the NRC.

Note: Overall remuneration (sitting fees and commission) should be reasonable and sufficient to attract, retain and motivate directors aligned to the requirements of the Company (taking into consideration the challenges faced by the company and its future growth imperatives).

Reimbursement: In addition to the sitting fees and commission, the Company may pay to any Director such fair and reasonable expenditure, as may have been incurred by the Director while performing his/her role as a Director of the company.

This could include reasonable expenditure incurred by the director for attending Board/ committee meetings, general meetings, court convened meetings, meetings with shareholders/ creditors/management, site visits, induction and training and in obtaining professional advice from independent advisors in furtherance of his/her duties as a director.

Limit on payable remuneration: remuneration payable to Non Executives (Independent) Directors shall not exceed 1% of the net profits of the Company unless approved by the shareholders of the Company as per Section 197 of the Companies Act, 2013 read with Schedule V.

✚ KMPs, Senior Management Personnel and other Employees.

Remuneration: KMPs and Senior Management Personnel of the Company shall be paid monthly remuneration as per the Company's policies pursuant to internal processes of the Company.

The break-up of the pay scale and quantum of perquisites including, employer's contribution to provident fund, pension scheme, medical expenses etc. shall be as per the Company's internal policies and applicability.

Note: Extent of overall remuneration should be sufficient to attract and retain talented and qualified individuals suitable for respective roles and Responsibilities.

In case, any insurance is taken by the Company on behalf of its Executive Director, Chief Financial Officer, Company Secretary and any other employees 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.

Role of the Nomination & Remuneration Committee (NRC)

The following matters shall be dealt with by the NRC:

 **Size and composition of the Board**

Periodically reviewing the size and composition of the Board to have an appropriate mix of Executive and Independent Directors to maintain its independence and separate its functions of governance and management and to ensure that it is structured to make appropriate decisions, with a variety of perspectives and skills, in the best interests of the Company.

 **Directors.**

Formulate the criteria determining qualifications, positive attributes and independence of a Director and recommend candidates to the Board when circumstances warrant the appointment of a new Director, having regard to qualifications, integrity, expertise and experience for the position.

 **Succession plans.**

Establishing and reviewing Board, KMP, and Senior Management Personnel succession plans in order to ensure and maintain an appropriate balance of skills, experience and expertise on the Board and part of the Senior Management Personnel.

 **Evaluation of performance.**

- ✓ Make recommendations to the Board on appropriate performance criteria for the Directors.
- ✓ Formulate the criteria and framework for evaluation of performance of every Director.
- ✓ Identify ongoing training and education programs for the Board to ensure that Non-executive (Independent) Directors are provided with adequate information regarding the business, the industry and their legal responsibilities and duties.

 **Board diversity.**

NRC is to assist the Board in ensuring the Board nomination process is in line with the policy of diversity relating to gender, thought, experience, knowledge and perspectives.

Remuneration payable to Director for services rendered in other capacity

The remuneration payable to the Directors shall be inclusive of any remuneration payable for services rendered by such director in any other capacity unless:

- ✓ The services rendered are of a professional nature; and
- ✓ The Nomination and Remuneration Committee is of the opinion that the director possesses requisite qualification for the practice of the profession.

Amendment

The Board of Directors of the Company, subject to applicable laws, rules & regulations, may amend / substitute any provision(s) with a new provision(s) or replace this entire policy with a new policy, as per the recommendations of Nomination and Remuneration Committee.

This policy was approved in the Board meeting held on 8th August, 2023.

(Only the name of the Company has been updated pursuant to name change of the Company)