

## **NOMINATION AND REMUNERATION POLICY**

## i. PREAMBLE

This Policy is framed by the Nomination and Remuneration Committee of the Company in line with the requirements of Section 178 of the Companies Act, 2013 read with the applicable Rules thereto (“the Act”) (referred to as “Applicable Laws”) and with regard to nomination and remuneration of the Board of Directors, Key Managerial Personnel and Senior Management Personnel.

## ii. 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) **“Company”** shall mean OneSource Specialty Pharma Limited.
- d) **“Director”** shall mean a Director of the Company.
- e) **“Independent Director”** shall mean a Director of the Company who satisfies the criteria for independence under Section 149 of Companies Act, 2013 and as per Regulation 16(1)(b) of SEBI (LODR) Regulations, 2015.
- f) **“Key Managerial Personnel (KMP)”** means KMP as defined under Section 2(51) of the Act.
- g) **“Nomination and Remuneration Committee/ Committee”** means the Committee constituted by the Board of Directors of the Company in accordance with Section 178 of the Act.
- h) **“Senior Management Personnel” (SMP)** senior management” shall mean the officers and personnel of the listed entity who are members of its core management team, excluding the Board of Directors, and shall also comprise all the members of the management one level below the Chief Executive Officer or Managing Director or Whole Time Director or Manager (including Chief Executive Officer and Manager, in case they are not part of the Board of Directors) and shall specifically include the functional heads, by whatever name called and the [persons identified and designated as key managerial personnel, other than the board of directors, by the listed entity.

## iii. CONSTITUTION OF COMMITTEE

As per the provisions of SEBI Listing regulations,

The board of directors shall constitute the nomination and remuneration committee as follows:

- (a) the committee shall comprise of at least three directors ;
- (b) all directors of the committee shall be non-executive directors; and
- (c) at least [two-thirds] of the directors shall be independent directors.

## iv. MEETINGS OF THE COMMITTEE

- The quorum for a meeting of the nomination and remuneration committee shall be either two members or one third of the members of the committee, whichever is greater, including at least one independent director in attendance.
- The committee shall meet at least once in a financial year.

**v. OBJECTIVE OF THE POLICY**

- 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 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, KMP and SMP.
- c) To ensure the Board appointment process aligns with the Board Diversity Policy of the Company.
- d) To review the overall compensation policy, service agreement and other employment conditions of Whole Time Directors, KMP and SMP.
- e) To deal with other matters as the Board may refer to the Committee from time to time.

**vi. REMUNERATION PAYABLE TO BOARD MEMBERS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT**

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 to the Board.

**a) Remuneration to Non-Executive Directors including Independent Directors**

With changes in the Corporate Governance norms brought by the Companies Act, 2013 as well as SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), the role of Non-Executive Directors (NED) and the degree of their engagement with the Board and the Company has undergone significant changes over a period of time. The Non-Executive Directors bring in a wider perspective in the deliberations and decision-making of the Board, which adds value to the Company. They also play a crucial role in the independent functioning of the Board.

Pursuant to the provisions of Companies Act, 2013 read with Listing Regulations, following are the criteria for making payment to Non-Executive Directors of the Company:

As per Regulation 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (Listing Regulations) listed entity shall disseminate Criteria for making payments to Non-Executive Directors (NEDs) on the website of the Company.

In keeping with the above, any fee/remuneration payable to the NEDs of the Company shall abide by the following:

## SITTING FEES

NEDs may receive remuneration by way of fee for attending Meetings of the Board or the Committee thereof or any other Meeting as required by the Companies Act, 2013, Listing Regulations or other applicable laws or for any other purpose whatsoever as may be decided by the Board.

Details as below:

### Remuneration to Non-Executive Directors

- a. Sitting Fees:** The Non-Executive Directors of the Company receive sitting fees of INR. 100,000/- each for attending each meeting of the Board and its Committee's.
- b. Reimbursement of Expenses:** Any expense incurred by the Director towards travel, commute, accommodation etc. for attending the meetings of the Board and its Committee shall be reimbursed by the Company.

### Remuneration to Executive Directors

- a. The Company pays remuneration in combination of fixed and variable components to its Executive Directors
- b. **Annual increments:** As may be approved by the Board of Directors, on the recommendation of the Nomination & Remuneration Committee of the Company.

## REMUNERATION

Section 197 of the Companies Act, 2013 (the Act) allows a Company to pay remuneration to its NEDs either by way of a monthly payment or at a specified percentage of the net profits of the Company or partly by one way and partly by the other. Further, the said Section also states that where the Company has Managing Director or Whole-Time Director or Manager, then a maximum of 1% of its net profits can be paid as remuneration to its NEDs. In case there is no Managing Director or Whole-Time Director or Manager, then a maximum of 3% of net profit can be paid. Thus, the basis of payment to the NEDs is the net profit of the Company.

Fees or compensation, if any, paid to non-executive directors, shall require approval of shareholders in general meeting.

If any stock options are granted to non-executive directors, the limits for the maximum number of stock options that may be granted to non-executive directors, in any financial year and in aggregate shall also be mentioned in the shareholders' resolution passed for this purpose.

The approval of shareholders by special resolution shall be obtained every financial year, in which the annual remuneration payable to a single non-executive director exceeds fifty per cent of the total annual remuneration payable to all non-executive directors, giving details of the remuneration thereof.

## **PROFESSIONAL FEES**

Section 197 of the Act allows a Company to pay remuneration to its NEDs for services rendered by any such Director if:

- a. The services rendered are of Professional nature;
- b. In the opinion of Nomination and Remuneration Committee the Director possesses the requisite qualification for the practice of the profession.

## **REIMBURSEMENT OF ACTUAL EXPENSES INCURRED:**

NEDs may also be paid/reimbursed such sums either as fixed allowance and /or actual as fair compensation for travel, boarding and lodging and incidental and /or actual out of pocket expenses incurred by such Member for attending the Board/Committee Meetings or for Company's work.

The Nomination and Remuneration Committee is entrusted with the role of reviewing the compensation of NEDs.

## **PAYMENT TO INDEPENDENT DIRECTORS:**

An Independent Director shall not be entitled to any Stock Option and may receive remuneration only by way of fees and reimbursement of expenses for participation in Meetings of the Board or Committee thereof and profit related commission up to a certain percentage of net profits in such proportion, as may be permissible under the applicable law.

The board of directors shall recommend all fees or compensation, if any, paid to independent directors and shall require approval of shareholders in general meeting.

The requirement of obtaining approval of shareholders in general meeting shall not apply to payment of sitting fees to non-executive directors, if made within the limits prescribed under the Companies Act, 2013 for payment of sitting fees without approval of the Central Government.

### **b) Remuneration to Whole-time Directors/ Managing Director/ Executive Directors (collectively referred as Executive Directors)**

Remuneration payable to Executive Directors shall be determined by the Committee based on the integrity, qualification, expertise and experience of such Director and recommended to the Board for approval.

The remuneration payable to Executive Directors is further subject to the provisions of the Act and approval of Shareholders.

Further, if the Company has no profits or inadequate profits in any financial year, remuneration paid to its Executive Directors shall be in accordance with the provisions of Schedule V of the Act.

If an Executive Director draws or receives any remuneration, directly or indirectly, in excess of the limit prescribed by the Act or without approval as required under the Act, he shall refund such sums to the Company within two years or such lesser period as may be allowed by the Company. Until such sum is refunded to the Company, the Director shall hold such excess remuneration in trust for the Company.

Further, the Company shall not waive the recovery of any sum refundable as above unless approved by the Members of Company by way of special resolution within two years from the date the of such sum becomes refundable.

The fees or compensation payable to executive directors who are promoters or members of the promoter group shall be subject to the approval of the shareholders by special resolution in general meetings, if-

- i. the annual remuneration payable to such executive director exceeds rupees 5 crore or 2.5 per cent of the net profits of the listed entity, whichever is higher; or
- ii. where there is more than one such director, the aggregate annual remuneration to such directors exceeds 5 per cent of the net profits of the listed entity:

Provided that the approval of the shareholders under this provision shall be valid only till the expiry of the term of such director.

## **c) Remuneration to Key Managerial Personnel and Senior Management Personnel**

Remuneration to KMP and SMP comprises of fixed pay and variable pay components.

### **Fixed Pay**

KMPs and SMPs receive 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.

This is fixed during hiring the incumbent and subsequent increments shall be based on performance ratings, initiatives and concurrence of the Board of Directors.

### **Variable Pay**

Performance Incentive is variable pay.

These rewards are based on individual's, business unit's or Company's performance including related pre-defined targets. Performance is measured over a 12 months' period.

### **Employee Stock Options**

The Committee may grant employee stock options to the Executive Directors (other than Promoter Directors), identified KMP and SMP under the Company's ESOP schemes.

## **d) Succession Plan for Directors, KMP and Senior Management Personnel**

The NRC shall develop and recommend to the Board a succession plan for the appointments made to the Board and to KMP & Senior Management personnel.

NRC shall also review such plan on an annual basis and recommend revisions, if any, to the Board.

## **vii. COST MANAGEMENT**

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.

**viii. RETIREMENT OF DIRECTOR, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL**

The 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 Members as special resolution, the Company may appoint or continue the term of 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, shall not be appointed or re-appointed, unless a special resolution is passed to that effect, in which case the explanatory statement annexed to the notice for such motion shall indicate the justification for appointing such a person at the time of appointment or re-appointment or any time prior to the non-executive director attaining the age of seventy-five years.

Further, the 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.

**ix. REMOVAL OF BOARD MEMBERS, KEY MANAGERIAL PERSONNEL AND SENIOR MANAGEMENT PERSONNEL**

- i) 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.

**ii) Termination of services of KMP and SMP (who are Non-Board Members)**

Employment contract of KMP/ SMP 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.

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

**x. BOARD EVALUATION**

It shall be the duty of the Chairman of the Board, who shall be supported by a Company Secretary to organize the evaluation process and accordingly conclude the steps required to be taken. The evaluation process will be used constructively as a system to improve the Directors' and Committees' effectiveness, to maximize their strength and to tackle their shortcomings.

The Board of Directors shall undertake the following activities on an annual basis:

- i.** The Board as a whole shall discuss and analyze its own performance during the year together with suggestions for improvement thereon, pursuant to the performance objectives.
- ii.** Review performance evaluation reports of various Committees along with their suggestions on improving the effectiveness of the Committees. Also, the requirement of establishing any new Committees shall be reviewed by the Board on an annual basis.
- iii.** Review the various strategies of the Company and accordingly set the performance objectives for Directors.
- iv.** Ensure that adequate disclosure is made with regard to performance evaluation in the Board's Report.

While evaluating the performance of the Non-Executive Directors (NEDs), the following parameters shall be considered:

- (a) Attendance at meetings of the Board and Committees thereof,
- (b) Participation in Board Meetings or Committee thereof,
- (c) Contribution to strategic decision making,
- (d) Review of risk assessment and risk mitigation,
- (e) Review of financial statements, business performance. (f) Contribution to the enhancement of brand image of the Company.

While evaluating the performance of the Chairman and Managing Director, the Nomination and Remuneration Committee shall always consider the appropriate benchmarks set as per industry standards, the performance of the individual and also of the Company

▪ **Responsibility of the Nomination & Remuneration Committee**

It shall evaluate the performance of individual Directors of the Company as per its terms and the Nomination and Remuneration Policy of the Company framed in accordance with the provisions of section 178 of the Act.



## ▪ Responsibility of Independent Directors

Independent Directors are duty bound to evaluate the performance of Non-Independent Directors, Chairman and the Board as a whole. The Independent Directors of the Company shall hold at least one meeting in a financial year to review the performance of Non-Independent Directors, performance of the Chairman of the Company and Board as a whole, taking into account the views of Executive Directors and Non-Executive Directors.

The Independent Directors at their separate meetings shall:

- review the performance of non-independent directors and the Board as a whole;
- review the performance of the Chairperson of the company, taking into account the views of Executive directors and Non-Executive Directors;
- assess the quality, quantity and timeliness of flow of information between the Company's Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

Evaluation of Independent Director shall be carried on by the entire Board of Directors of the Company except for the Director getting evaluated.

## Rating Scale

Performance	Rating
Satisfactory	1/ A
Not Satisfactory	0/ -A

The Company has chosen to adopt the following Board Performance Evaluation Process:

## A. INDEPENDENT DIRECTORS

Some of the specific issues and questions that should be considered in a performance evaluation of an Independent Director, in which the Director concerned being evaluated shall not be included, are set out below:

Name of Director being assessed: \_\_\_\_\_

Sl. No.	Assessment Criteria	Rating	Remarks/ Comments
1.	Attendance and participations in the meetings		
2.	Raising of concerns to the Board		
3.	Safeguard of confidential information		
4.	Providing terms of new ideas and planning for the Company		
5.	Safeguarding interest of whistle-blowers under vigil mechanism		
6.	Rendering independent, unbiased opinion and resolution of issues at meetings		

## B. NON-INDEPENDENT DIRECTORS/ EXECUTIVE DIRECTORS:

Certain specific issues and questions that should be considered in a performance evaluation of Chairman and Managing Director/ Non-Independent Director/ Executive Director by Independent Directors, in which the concerned director being evaluated shall not be included, are set out below:

Name of Director being assessed: \_\_\_\_\_

Sl. No.	Assessment Criteria	Rating	Remarks/ Comments
1.	Attendance and participations in the meetings		
2.	Professional skills, problem solving, and decision-making		
3.	Compliance with policies of the Company, ethics, code of conduct, etc.		
4.	Compliance with policies of the Company, ethics, code of conduct, etc.		
5.	Safeguarding interest of whistle-blowers under vigil mechanism		
6.	Rendering independent, unbiased opinion and resolution of issues at meetings		
7.	Leadership initiative		

## C. BOARD OF DIRECTORS

Some of the specific issues and questions that should be considered in a performance evaluation of the entire Board by Independent Directors, are set out below:

Sl. No.	Assessment Criteria	Rating	Remarks/ Comments
1.	The Board of Directors of the Company is effective in decision making		
2.	The Board of Directors is effective in developing a corporate governance structure that allows and encourages the Board to fulfill its responsibilities.		
3.	The Company's systems of control are effective for identifying material risks and reporting material violations of policies and law.		
4.	The Board reviews the organization's performance in carrying out the stated mission on a regular basis.		
5.	The Board of Directors is effective in providing necessary advice and suggestions to the Company's management.		
6.	Is the Board as a whole up to date with latest developments in the regulatory environment and the market?		
7.	The information provided to Directors prior to Board Meetings meets your expectations in terms of length and level of detail.		
8.	Board meetings are conducted in a manner that encourages open communication, meaningful participation, and timely resolution of issues.		
9.	The Board Chairman effectively and appropriately leads and facilitates the Board meetings and the policy and governance work of the Board.		
10.	The Board appropriately considers internal audit reports, management's responses, and steps towards improvement.		
11.	The Board oversees the role of the Independent Auditor from selection to termination and has an effective process to evaluate the Independent Auditor's qualifications and performance.		
12.	The Board considers the Independent Audit plan and provides recommendations.		

#### D. COMMITTEES OF THE BOARD

The Board has constituted the following committees:

1. Audit Committee;
2. Nomination and Remuneration Committee; and
3. Stakeholders Relationship Committee
4. Corporate Social Responsibility Committee;
5. Risk Management Committee
6. Management Committee

For evaluating the performance of each Committee, the Board of Directors shall pay regards to the following aspects as set out in the annexure below:

Sl. No.	Audit Committee	Rating	Remarks/ comments
1.	Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues.		
2.	Whether obligations of the Committee are being fulfilled in efficient and timely manner		

Sl. No.	Nomination and Remuneration Committee	Rating	Remarks/ comments
1.	Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues.		
2.	Whether obligations of the Committee are being fulfilled in efficient and timely manner		

Sl. No.	Stakeholders Relationship Committee	Rating	Remarks/ comments
1.	Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues.		
2.	Whether obligations of the Committee are being fulfilled in efficient and timely manner		

Sl. No.	Corporate Social Responsibility Committee	Rating	Remarks/ comments
1.	Committee Meetings are conducted in a manner that encourages open communication, meaningful participation and timely resolution of issues.		
2.	Whether obligations of the Committee are being fulfilled in efficient and timely manner		

**v. POLICY REVIEW**

This policy shall be reviewed by the Committee on a periodic basis to incorporate any amendments in the regulations or as may be felt appropriate by the Committee.

Changes or modification to the Policy shall be subject to Board approval.

**vi. DISCLOSURE**

In accordance with the requirement under the Act, disclosure regarding the manner in which the performance evaluation has been done by the Board of Directors of its own performance, performance of various Committees of Directors and individual Directors' performance will be made by the Board of Directors in the Board's Report. Further, the Board's Report containing such statement will be made available for the review of Shareholders at the General Meeting of the Company.

The Policy will be made available on the Company's official website and the key features of this Policy will also be included in the corporate governance statement contained in the Annual Report of the Company.

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### **Schedule 1**

#### **Criteria for appointments related remuneration for Directors, Key Managerial Personnel and Senior Management Personnel of the Company**

- At the time of selection of a Director, KMP and SMP, 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 under the Act.
- The level and composition of remuneration shall be reasonable and sufficient to attract, retain and motivate Directors, KMP and SMP to run the Company successfully.
- Remuneration of Directors, KMP and SMP 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.
- The Company shall ensure that approval of shareholders for appointment or re-appointment of a person on the Board of Directors or as a manager is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier: [Provided that the appointment or a re-appointment of a person, including as a managing director or a whole-time director or a manager, who was earlier rejected by the shareholders at a general meeting, shall be done only with the prior approval of the shareholders.
- The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution.

Provided that where a special resolution for the appointment of an independent director fails to get the requisite majority of votes but the votes cast in favour of the resolution exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution, then the appointment of such an independent director shall be deemed to have been made.

Provided further that an independent director appointed under the first proviso shall be removed only if the votes cast in favour of the resolution proposing the removal exceed the votes cast against the resolution and the votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution

- Any appointment, remuneration to Directors, Key Managerial Personnel and Senior Management Personnel shall be made in compliance with the Nomination and Remuneration Committee charter provided under the Listing Regulations

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