



Southern Magnesium and Chemicals Limited

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NOMINATION AND REMUNERATION POLICY

INTRODUCTION

The Remuneration Policy of Southern Magnesium and Chemicals Limited (the “Company”) is aligned with the compensation philosophy of its competitors which is to pay competitively and reward performance. To achieve this philosophy, total compensation is based on employee’s role, market value of job and employees contributions.

This Policy is designed to attract, motivate and retain talent by creating a congenial work environment, encouraging initiatives, personal growth and team work, and inculcating a sense of belonging and involvement, besides offering appropriate remuneration packages and retirement benefits.

The policy reflects the Company’s objectives for good corporate governance as well as sustained long term value creation for shareholders.

This Remuneration Policy applies to Directors and senior management including its Key Managerial Personnel (KMP) of the Company.

The Nomination and Remuneration Committee (“the Committee”) has considered the factors laid down under Section 178 of the Act and SEBI Listing Regulations, while formulating the Policy as under:

- a) 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.
- b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- c) Remuneration to directors, key managerial personnel and senior management involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

This Policy has been approved by the Board of Directors at their meeting held on February 06, 2024 and shall be effective immediately, superseding the earlier Policy of the Company.

A. DEFINITIONS

“**Act**” means the Companies Act, 2013 and Rules framed there under, as amended from time to time.

“**Board**” means Board of Directors of the Company.

“**Committee**” means Nomination and Remuneration Committee constituted by the Board

“**Directors**” mean Directors of the Company.

“**Executive Directors**” mean Managing Director/ Joint Managing Director and Whole Time Director, if any.

“Key Managerial Personnel” means

- Chief Executive Officer or the Managing Director or Manager
- Company Secretary
- Whole-time director;
- Chief Financial Officer;
- 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
- such other officer as may be prescribed.

“Senior Management” means personnel of the company who are members of senior leadership typically vice presidents or equivalent and higher position levels.

Unless the context otherwise requires, words and expressions used in this policy and not defined herein but defined under the Act and the SEBI Listing Regulations as amended from time to time shall have the meaning respectively assigned to them therein.

B. GUIDING PRINCIPLE

The guiding principle is that the remuneration and the other terms of employment should effectively help in attracting and retaining talented employees.

While designing remuneration packages, industry’s best practices, cost of living and potential of employees are also taken into consideration.

C. MATTERS TO BE DEALT WITH, PERUSED AND RECOMMENDED TO THE BOARD BY THE NOMINATION AND REMUNERATION COMMITTEE

The Committee shall:

- ❖ Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board of Directors a policy relating to, the remuneration of the Directors, Key Managerial Personnel and other employees.
- ❖ Evaluate the balance of skills, knowledge and experience on the Board and on the basis of such evaluation, preparing a description of the role and capabilities required of an Independent Director. The Person recommended to the Board for appointment as an Independent Director shall have the capabilities identified in such description. For the purpose of identifying suitable candidates, the Committee may
 - a) use the services of an external agencies, if required;
 - b) consider candidates from a wide range of backgrounds, having due regard to diversity; and
 - c) consider the time commitments of the candidates.
- ❖ Identify persons who are qualified to become Director and persons who may be appointed in Key Managerial and Senior Management positions in accordance with the criteria laid down in this policy.

- ❖ Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- ❖ Recommend whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.
- ❖ Formulate the criteria for evaluation of Independent Directors and the Board.
- ❖ Recommend to the Board, all remuneration, in whatever form, payable to Senior Management.

D. POLICY FOR APPOINTMENT AND REMOVAL OF DIRECTOR, KMP AND SENIOR MANAGEMENT

I. Appointment criteria and qualifications:

- The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment.
- A person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has authority to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the position.
- The Company shall not appoint or continue the employment of any person as Managing Director /WTD/ executive Director who has attained the age of Seventy years or more. Provided that the term of the person holding this position may be extended at the discretion of the committee beyond the age of Seventy years 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 Seventy years as the case may be.
- A whole-time KMP of the Company shall not hold office in more than one company except in its subsidiary company at the same time. However, a whole-time KMP can be appointed as a Director in any company, with the permission of the Board of Directors of the Company.

II. Term/ Tenure:

1. Managing Director/ Whole-time Director:

The Company shall appoint or re-appoint any person as its Managing Director, Whole-time Director or Manager for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry of terms.

2. Independent Director:

- 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 on

passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

- No Independent Director shall hold office for more than two consecutive terms of upto maximum of 5 years each, 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.
- At the time of appointment of Independent Director it should be ensured that number of Boards on which such Independent Director serves, is restricted to applicable regulations in force.

III. Removal:

Due to reasons for any disqualification mentioned in the act or under any other applicable Act, rules and regulations there under, the Committee may recommend to the Board with reasons recorded in writing, removal of Director, KMP or Senior Management Personnel in the same position/ remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

IV. 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.

E. POLICY RELATING TO THE REMUNERATION FOR THE WHOLE-TIME DIRECTOR, KMP AND SENIOR MANAGEMENT PERSONNEL

General:

- a) The remuneration package of KMP will be determined by the Committee and recommended to Board for approval. In addition, the approval of the shareholders of the Company and Central Government, wherever required, will be obtained for the remuneration package of Executive Directors. The remuneration package of other senior management personnel will be recommended by Managing Director and Jt. Managing Director and be submitted to Committee for approval.
- b) The remuneration package of Executive Directors shall be in accordance with the percentage / slabs / conditions laid down in the Act.
- c) Increments to the existing remuneration package of Executive Directors may be recommended by the Committee to the Board which should be within the limits approved by the Shareholders.

Where any insurance is taken by the Company on behalf of its Directors, Executive Directors, Whole-time Director, Chief Executive Officer, Chief Financial Officer, the 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 such personnel.

F. REMUNERATION TO EXECUTIVE DIRECTORS, KMP AND SENIOR MANAGEMENT PERSONNEL:

a) Pay and Allowances:

The Executive Directors, KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Committee or Board on the recommendation of the Committee. The remuneration comprises of basic pay and allowances in addition to perquisites such as contribution to Provident Fund, Gratuity, group life insurance, group medical insurance etc.

b) 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 in accordance with the provisions of Schedule V of the Act and other applicable provisions.

c) Provisions for excess remuneration:

If any Whole-time Director draws or receives, directly or indirectly by way of remuneration any such sums in excess of the limits prescribed under the Act or without the sanction of the Central Government, where required, he / she shall refund such sums to the Company and until such sum is refunded, hold it in trust for the Company. The Company shall not waive recovery of such sum refundable to it unless permitted by the Central Government.

G. Remuneration to Non-Executive Directors:

a) Remuneration/Commission:

The remuneration / commission shall be fixed as per the limits and conditions mentioned under the Act and / or SEBI Listing Regulations

b) Sitting Fees:

Non-Executive Director may receive remuneration by way of fees for attending meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed the amount fixed by the Board from time to time.

c) Commission:

Commission may be paid within the monetary limit approved by shareholders, subject to the limit not exceeding 1% of the profits of the Company computed as per the applicable provisions of the Act.

d) Stock Options:

An Independent Director shall not be entitled to any stock options of the Company.

e) Expenses for attending meetings

The expenses incurred by the Non-Executive Directors for attending the meetings of Board of Directors and Committees of the Board shall be reimbursed by the Company or alternatively the Company may provide air tickets, lodging facility and conveyance to the Independent Directors.

H. Remuneration to Senior Management and employees of the Company

The remuneration for the Senior Management and employees of the Company will be guided by external competitiveness and internal parity through benchmarking surveys from time to time. The remuneration structure can be either fixed or combination of fixed and variable components, fixed component comprising of salary, allowances, perquisites, provident fund, etc., and variable component comprising of an amount linked to performance of the individual employee and the Company as a whole. In addition to this the Company may also grant stock options, pursuant to which, equity shares of the Company may be offered and allotted to the employees as per the approved employee stock option scheme.

I. Disclosure of information

Information on the total remuneration of Board of Directors, Whole time Directors and KMP/senior management personnel is disclosed in the annual financial statements/ Annual Report as per statutory requirements.

J. Application of the Remuneration Policy

This Remuneration Policy shall continue to guide all future employment of Directors, Senior Management including Key Managerial Personnel.

K. Performance evaluation criteria for Independent Directors:

In line with the mandates under Companies Act, 2013 read with the SEBI Listing Regulations, the Committee shall provide parameters for effective evaluation of performance of Board, its committees and Directors, including independent directors, to be carried out either by the Board, by the Committee or by an independent external agency and review its implementation and compliance. The Board of Directors evaluates the performance of independent directors on yearly basis.

L. Amendment

The Committee will review this policy periodically and recommend appropriate revisions to the Board. Any statutory amendment in SEBI Listing Regulations and / or Companies Act, 2013 and any other applicable laws / regulations, if any, shall be deemed to be included in the Policy and the Company shall be governed by it. The Committee shall amend or modify this Policy in whole or in part, as required at any time and such amendment/modification shall be effective from the date that the Board may approve /notify in this behalf.