

Honda Siel Power Products Limited

**Policy on Remuneration to be paid to
Directors, Key Managerial Personnel and
other employees and criteria for
Appointment of Directors**

Introduction

In pursuance to Section 178 of the Companies Act, 2013 the Nomination and Remuneration Committee has formulated Remuneration Policy ("the policy").

The objective of the policy is to ensure that Executive/Non-Executive Directors and key managerial personnel's are sufficiently compensated for their performance.

Remuneration Policy

Non-Executive Independent Directors

Non-Executive Independent Directors are appointed for their professional expertise in their respective fields in individual capacity and receive sitting fees for attending the meeting of the Board and Committees thereof as approved by the Board from time to time.

Executive/Whole Time Directors

The Committee shall recommend Remuneration of Whole time Directors which will be again recommended by the Board and finally approved by the shareholders.

The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and variable pay to whole time Directors. Salary is paid within the range approved by the Shareholders. Annual increments effective 1st April each year (or at any other time as may be required), as recommended by the Nomination and Remuneration Committee and recommended by the Board, within the prescribed ceiling, is further approved by the Shareholders.

Perquisites and retirement benefits are paid according to the Company policy as applicable to all employees.

The remuneration paid to Executive/Non-Executive Directors is determined keeping in view the industry benchmark and the relative performance of the Company to the industry performance. This is further benchmarked so as to attract and retain the right talent for the job.

Key Managerial Personnel and Other Employees

The remuneration of Key Managerial Personnel and other employees largely consists of basic salary, perquisites, allowances and performance incentives. Perquisites and retirement benefits are paid according to the Company policy, subject to prescribed statutory ceiling.

The components of the total remuneration vary for different levels and are governed by the industry pattern, qualification & experience / merits and performance of each employee. The

Company while deciding the remuneration package takes into consideration current employment scenario and remuneration package as is prevailing in the industry.

The annual variable pay of Key Managerial Personnel and employees is linked to the performance of the Company in general for the relevant year and measured against Company's objectives fixed in the beginning of the year.

Approval

This Remuneration Policy shall apply to all future employment agreements with Key Managerial Personnel of the Company and Directors.

This Remuneration Policy, as recommended by the Nomination and Remuneration Committee is approved by the Board of Directors on this 12th day of _____ September 2014.

Honda Siel Power Products Limited

Criteria for appointment of Directors

DIRECTOR'S QUALIFICATION AND EVALUATION CRITERIA

The composition and strength of the Board of Directors (the "Board") of the Company is subject to the provisions of the Companies Act, 2013, Listing Agreement with the Stock Exchanges and Articles of Association of the Company.

Within the defined parameters, as above, the Board determines the size and composition of the Board.

The Nomination and Remuneration Committee of the Board (the "Committee") is responsible for evaluating the qualifications of each candidate to be appointed as Director on the Board of the Company and of those Directors who are to be nominated for election by shareholders at each annual shareholder's meeting.

The qualification criteria set forth herein below is designed to describe the qualities and characteristics desired for the Board as a whole and for Board members individually.

Director Qualification Review Procedures

A determination of a Director's qualifications to serve on the Board shall be made by the Board, upon the recommendation of the Committee, prior to nominating a Director for election at the Company's next annual meeting. In addition, with respect to each Director candidate considered for appointment to the Board between annual meetings, the Committee shall evaluate each Director candidate and recommend to the Board for their appointment.

The Nomination and Remuneration Committee shall evaluate each Director and Director candidate under the Director Qualification Criteria set forth herein.

Director Qualification Criteria- General

It is not mandatory to establish specific minimum age, education, years of business experience or specific types of skills for Board members, but, in general, it is expected from an independent Director to possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the company's business and to have ample experience and a proven record of professional success, leadership and the highest level of personal and professional ethics, integrity and values. In its evaluation, the Committee shall consider the Board size and composition of the Board according to the following guidelines:

With respect to Board composition as a whole, the Board will maintain composition of the Directors pursuant to applicable laws, rules and regulation and the Independence Standards set forth below;

Additional Qualification Review Criteria

The Committee shall also consider whether each Director candidate and each Director possesses the following:

- The highest level of personal and professional ethics, integrity and values;
- An appreciation of the Company's mission and purpose,
- The ability to exercise objectivity and independence in making informed business decisions;
- The willingness and commitment to devote the time necessary to fulfill his/ her/her duties;
- The ability to communicate effectively and collaborate with other Board members to contribute effectively to the diversity of perspectives that enhances Board and Committee deliberations, including a willingness to listen and respect the views of others; and
- The skills, knowledge and expertise relevant to the Company's business, with extensive experience at a senior leadership level in a comparable company or organization, including, but not limited to relevant experience in manufacturing, international operations, finance, accounting, legal, strategic planning, supply chain, technology and marketing.

The Committee shall also consider its policies with respect to mandatory retirement age, change in employment status, as well as all other relevant facts and circumstances in making its recommendations to the Board.

INDEPENDENT DIRECTORS- STANDARD OF INDEPENDENCE

The Board has established the following independence review procedures and criteria to assist it and the Committee evaluate the independence of Directors who have been nominated for election at each annual meeting and of Director candidates prior to their appointment to the Board.

It is expected that an independent Director shall:

- (1) uphold ethical standards of integrity and probity;
- (2) act objectively and constructively while exercising his/ her/ her duties;
- (3) exercise his/ her responsibilities in a *bona fide* manner in the interest of the company;
- (4) devote sufficient time and attention to his/ her obligations towards the company for informed and balanced decision making;
- (5) not allow any extraneous considerations that will vitiate his/ her exercise of objective independent judgment in the paramount interest of the company as a whole, while

concurring in or dissenting from the collective judgment of the Board in its decision making;

- (6) not abuse his/ her position to the detriment of the company or its shareholders or for the purpose of gaining direct or indirect personal advantage or advantage for any associated person;
- (7) refrain from any action that would lead to loss of his/ her independence;
- (8) where circumstances arise which make an independent Director lose his/ her independence, the independent Director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

Role and functions:

The independent Director/s shall:

- (1) help in bringing an independent judgment to bear on the Board's deliberations especially on issues of strategy, performance, risk management, resources, key appointments and standards of conduct;
- (2) bring an objective view in the evaluation of the performance of Board and management;
- (3) scrutinize the performance of management in meeting agreed goals and objectives and monitor the reporting of performance;
- (4) satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible;
- (5) safeguard the interests of all stakeholders, particularly the minority shareholders;
- (6) balance the conflicting interest of the stakeholders;
- (7) determine appropriate levels of remuneration of executive Director/s, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive Director s, key managerial personnel and senior management;
- (8) moderate and arbitrate in the interest of the company as a whole, in situations of conflict between management and shareholder's interest.

Duties :

The independent Director s shall—

- (1) undertake appropriate induction and regularly update and refresh their skills, knowledge and familiarity with the company;
- (2) seek appropriate clarification or amplification of information and, where necessary, take and follow appropriate professional advice and opinion of outside experts at the expense of the company;
- (3) strive to attend all meetings of the Board of Director s and of the Board committees of which he is a member;
- (4) participate constructively and actively in the committees of the Board in which they are chairpersons or members;

- (5) strive to attend the general meetings of the company;
- (6) where they have concerns about the running of the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting;
- (7) keep themselves well informed about the company and the external environment in which it operates;
- (8) not to unfairly obstruct the functioning of an otherwise proper Board or committee of the Board;
- (9) pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions and assure themselves that the same are in the interest of the company;
- (10) ascertain and ensure that the company has an adequate and functional vigil mechanism and to ensure that the interests of a person who uses such mechanism are not prejudicially affected on account of such use;
- (11) report concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy;
- (12) acting within his/ her authority, assist in protecting the legitimate interests of the company, shareholders and its employees; not disclose confidential information, including commercial secrets, technologies, advertising and sales promotion plans, unpublished price sensitive information, unless such disclosure is expressly approved by the Board or required by law.

Independence Review Procedures

Annual Review

Determinations of Director's independence will be made by the Board for each Director on an annual basis

Individual Director - Independence Determinations

If a Director nominee is considered for election to the Board between annual meetings, a determination of independence, upon the recommendation of the Committee, shall be made by the Board prior to such appointment.

All determinations of independence shall be made on a case-to-case basis for each Director after consideration of all the relevant facts and circumstances and the standards set forth herein. The Board reserves the right to determine that any Director is not independent even if he or she satisfies the criteria set forth above.

Notice of Change of Circumstances

Each Director has an affirmative obligation to notify the Company of any change in circumstances that may put his/her independence at issue. If so notified, the Committee shall re-evaluate such Director's independence, as promptly as practicable, and make a recommendation to the Board with respect to such Director's independence.

Disclosure

The Company shall disclose in the Annual Financial Statement in Board's Report a statement indicating the matter in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual Directors.