

The Board of Directors (the "Board") of Elgi Equipments Limited (the "Company") , upon recommendations of the Remuneration Committee, has adopted the following policy and procedures with regard to remuneration of the Board members, Key Management Personnel, Senior Management and Employees as below. The Board may review and amend this policy from time to time. This Policy will be applicable to the Company effective 1st October, 2014. This Policy is in terms of Clause 49 of the Listing Agreement with the Stock Exchanges.

1. BACKGROUND

A transparent, fair and reasonable process for determining the appropriate remuneration at all levels of the Company is required to ensure that Shareholders remain informed and confident in the management of the Company. The Company also understands the importance of attracting and maintaining competent personnel to manage and grow its business. In the policy, the following terms are defined as below:-

- "Board" means the board of Directors of the Company
- "Company" means Elgi Equipments Limited, India
- "Directors" means the directors on the Board of the Company, including the Managing Director, Independent Directors and non-executive directors
- "Employees" means all other Employees of the Company
- "Independent Directors" shall carry the same meaning as in The Companies Act, 2013 and the listing agreement that the Company has signed with the stock exchanges
- "Key Management Personnel" means the Managing Director, Chief Financial Officer and Company Secretary of the Company
- "Managing Director" means the person designated as such by the Board and shareholders of the Company and who has substantial powers of management of the Company
- " Nomination and Remuneration Committee" means a committee constituted amongst Board members as per The Companies Act, 2013 and the listing agreement that the Company has signed with the stock exchanges
- "Senior Management" means the senior managerial personnel directly reporting to the Managing Director and includes all persons in M5 cadre of the Company

2. OBJECTIVE

The objectives of this policy are:

- (a) to create a transparent system of determining the appropriate level of remuneration throughout all levels of the Company aimed at attracting, retaining and motivating people of the quality required to run the Company successfully;
- (b) encourage people to perform to their highest level of competence;
- (d) allow the Company to compete in each relevant employment market;
- (e) to ensure the relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- (f) provide consistency in remuneration involving a balance between fixed and performance based remuneration throughout the Company; and
- (g) align the performance of the business with the performance of the Board, key Management Personnel, Senior Management and other Employees within the Company.

The policy details the types of remuneration to be offered by the Company and factors to be considered by the Board on the basis of recommendations of the Nomination & Remuneration Committee in determining the appropriate remuneration for the Board, key Management Personnel, Senior Management and all other Employees.

3. CONTRACT

(i) The Managing Director, Independent Directors, key Management Personnel, Senior Management and all other Employees will be provided a letter of appointment. This letter of appointment will set out the terms and conditions of the engagement, responsibilities for the role and the remuneration package. Independent Directors and other non-executive Directors are currently paid only sitting fees as remuneration. However, depending on the evolution of business and added responsibilities, the Nomination and Remuneration committee may recommend to the Board for an increase in their remuneration package, subject to final approval of the shareholders. The Managing Director's remuneration will be approved by the Board as well as the shareholders.

(ii) The Nomination & Remuneration Committee and the Board must approve all contracts for the Managing Director and Independent Directors. The Nomination and Remuneration committee shall also formulate a criteria for determining the qualifications, positive attributes and independence of a Director while the Head-Human Resources of the Company will be responsible for formulating a criteria for all other Employees.

4. FORMS OF REMUNERATION

With the assistance of the Nomination & Remuneration Committee, the Board will approve the forms of remuneration to be offered to the Board members, key Management Personnel, Senior Management and all other Employees, which may include:

4.1 Fixed Remuneration

The Board in consultation with the Nomination & Remuneration Committee and the Head-Human Resources, will from time to time determine the fixed remuneration level for each of the above categories. Such remuneration levels will be determined according to the role and responsibilities, job size, industry standards, relevant laws and regulations, labour market conditions and scale of Company's business relating to the position. The fixed remuneration will reflect the core performance requirements and expectations of the Company.

4.2 Performance Based Remuneration

In addition to fixed remuneration, the Company will implement a system of performance pay for select categories designed to create a strong relationship between performance and remuneration. Performance based remuneration will be linked to specific performance targets for the concerned individuals and of the Company, which will be communicated to all concerned regularly.

4.3 Equity Based Remuneration

To motivate executives and management to pursue the long term growth and success of the Company, the Company may grant equity based remuneration to the Board members, key Management Personnel, Senior Management and all other Employees from time to time. In any case, Independent Directors will not be entitled to stock options.

4.4 Joining Bonuses and Termination payments

In rare cases, the letters of appointment/employment contract may set out in advance the entitlement to a bonus or other payment upon joining employment or upon termination of employment in respect of Key Management Personnel, Senior Management or other Employees. The Head-Human Resources is authorised to decide on the same in consultation with the Managing Director.

4.5 Employees Entitlements

The Company will comply with all legal obligations in determining the appropriate entitlement to salary advance, long service, annual, personal and parental leave. The

This is electronic approved documents, Hence physical signature not required

Head-Human Resources, may in consultation with the Managing Director, introduce/provide on certain conditions, appropriate interest free salary advances, housing loan benefits, credit card policy, city grade allowance policy, death & PTD benefits policy, data card policy, Employees referral policy, transfer expenses policy, family meet allowance policy, mediclaim policy, personal accident benefit policy, superannuation scheme, increment policy, laptop policy, mobile phone policy, subsidised canteen policy, suggestions and rewards policy and any other similar policies aimed at motivating and encouraging the Key Management Personnel, Senior Management and other Employees to perform better.

5. REVIEW

5.1 Performance Appraisal

The Managing Director will conduct annual performance appraisals for all Key Management Personnel other than himself, and Senior Management to monitor and review the appropriateness of each remuneration package. The Nomination and Remuneration Committee shall lay down the evaluation criteria for performance evaluation of Independent Directors while the performance evaluation as such of the Independent Directors shall be done by the entire Board (excluding the Director being evaluated). The Independent Directors, in their separate meeting, shall review the performance of non-independent directors and the Board as a whole. The Head-Human Resources along with the respective department heads will be responsible for conducting annual performance appraisals for all other Employees.

5.2 Board

The Board will be responsible for approving the remuneration strategy for the Board (subject to approval of shareholders wherever and whenever necessary), key Management Personnel, Senior Management and other Employees. In determining whether to approve the relevant level of remuneration, the Board will consider the recommendations from the Nomination & Remuneration Committee, prevailing market conditions, performance by the individual and the business strategies and objectives of the Company. The Board will review the contents of, and compliance with, this Policy on an annual basis.

5.3 Nomination & Remuneration Committee

The Nomination & Remuneration Committee is responsible for the monitoring, implementation and review of this policy. The Nomination & Remuneration Committee will provide recommendations to the Board as to how to effectively structure and facilitate a remuneration strategy, which will meet the needs of the Company.

5.4 Monitoring the Policy

The Head-Human Resources of the Company will monitor the day to day compliance with this policy.

6. Disclosure & Deviation

The Company will disclose this remuneration policy in its Annual Report. To the extent permitted under applicable law, the Board may deviate from this policy in individual cases, if justified by extraordinary and exceptional circumstances.