

**PEL's  
INDEPENDENT DIRECTOR  
APPOINTMENT &  
COMPENSATION POLICY**



**PEL's INDEPENDENT DIRECTOR APPOINTMENT & COMPENSATION POLICY**  
**(Updated up to May 28, 2015)**

The Board of Directors (the "Board") of Precision Electronics Limited (the "Company") has adopted the following PEL's Independent Director Appointment & Compensation Policy (hereinafter called the "Policy"), effective as of August 12, 2014, for the existing as well as the newly appointed Independent directors of the Company in compliance of Section 149 read with Schedule IV of the Companies Act, 2013 and regulation 25 and other related regulations of SEBI (LODR) 2015.

The Policy is a guide to professional conduct for independent directors. Adherence to these standards by independent directors and fulfillment of their responsibilities in a professional and faithful manner will promote confidence of the investment community, particularly minority shareholders, regulators and companies in the institution of independent directors. The compensation policy has been developed to compensate Independent Directors of the Company for their time, commitment and contributions to the Board. This policy shall apply to directors of the Company who are not Company employees and who are not affiliated with the Company, its subsidiaries, Promoters and Associates.

**I. Guidelines of Professional Conduct:**

PEL's Independent Director shall:

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

- (8) where circumstances arise which make an independent director lose his independence, the independent director must immediately inform the Board accordingly;
- (9) assist the company in implementing the best corporate governance practices.

## **II. Eligibility Criteria:**

PEL's Independent Director means a director

- Who , in the opinion of the Board is a person of integrity and possesses relevant expertise and experience;
- Who is or was not a promoter of the co. or its holding, subsidiary, associate company;
- Who has or had no pecuniary relationship with Company, its holding, Subsidiary, or Associates company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year (none of whose relatives has or had pecuniary relationship or transaction with the company or their promoters or directors, amounting to more than or equal to 2% of Gross Turnover or Total Income or Rs. 50 Lacs or higher amount as may be prescribed, whichever is lower);
- Who neither himself nor any of his relatives not holds the position of KMP / employee of the company during the three financial years immediately preceding the financial year in which he is proposed to be appointed ;
- Who neither himself nor any of his relatives is or has been a employee or partner in immediately preceding 3 financial years as CA, CS, CWA, any legal or consulting Firm of the Company its Subsidiaries, Associates;
- Who neither himself nor any of his relatives holds 2 % or more of the total voting power of the Company;
- Who neither himself nor any of his relatives is a Chief Executive or director, by whatever name called, of any non-profit organization that receives 25 % or more of its receipts from the company, any of its promoters, directors or its holding, subsidiary or associate company or that holds 2 % or more of the total voting power of the Company.

## **III. Qualifications**

Shall 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.

#### **IV. Role and functions:**

PEL's Independent Directors 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 directors, key managerial personnel and senior management and have a prime role in appointing and where necessary recommend removal of executive directors, 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.

#### **V. Duties:**

PEL's Independent Directors 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 Directors 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 authority, assist in protecting the legitimate interests of the company, shareholders and its employees;
13. 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.

**VI. Limit on number of other Independent Directorships**

- a. PEL's Independent Director shall not serve as an Independent Director in more than six listed companies excluding Precision Electronics Limited.
- b. Further, if the Independent Director is serving as a whole time director in any other listed company shall serve as an independent director in not more than two listed companies excluding Precision Electronics Limited.

**VII. Manner of appointment:**

- 1) Appointment process of independent directors shall be independent of the company management; while selecting independent directors the Board shall ensure that there is appropriate balance of skills, experience and knowledge in the Board so as to enable the Board to discharge its functions and duties effectively.
- 2) Every independent director shall at the first meeting of the Board in which he participates as a director and thereafter at the first meeting of the Board in every financial year or whenever there is any change in the circumstances which may affect his status as an independent director, give a declaration

- that he meets the criteria of independence as provided in sub-section 149(6) of the Companies Act, 2013.
- 3) The appointment of independent director(s) of the company shall be approved at the meeting of the shareholders.
  - 4) The explanatory statement attached to the notice of the meeting for approving the appointment of independent director shall include a statement that in the opinion of the Board, the independent director proposed to be appointed fulfils the conditions specified in the Act and the rules made there under and that the proposed director is independent of the management.
  - 5) The appointment of independent directors shall be formalized through a letter of appointment, which shall set out :
    - a) the term of appointment;
    - b) the expectation of the Board from the appointed director; the Board-level committee(s) in which the director is expected to serve and its tasks;
    - c) the fiduciary duties that come with such an appointment along with accompanying liabilities;
    - d) the Code of Conduct that the company expects its directors and employees to follow;
    - e) the list of actions that a director should not do while functioning as such in the company; and
    - f) the remuneration, mentioning periodic fees, reimbursement of expenses for participation in the Boards and other meetings and profit related commission, if any.
  - 6) The terms and conditions of appointment of independent directors shall be open for inspection at the registered office of the company by any member during normal business hours.
  - 7) The terms and conditions of appointment of independent directors shall also be posted on the company's website.

#### **VIII. Evaluation mechanism:**

1. The performance evaluation of independent directors shall be done by the entire Board of Directors, excluding the director being evaluated.
2. On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the independent director.

**IX. Re-appointment:**

The re-appointment of independent director shall be on the basis of report of performance evaluation.

**X. Resignation or removal:**

- (1) The resignation or removal of an independent director shall be in the same manner as is provided in sections 168 and 169 of the Act.
- (2) An independent director who resigns or is removed from the Board of the company shall be replaced by a new independent director within a period of not more than 180 days from the date of such resignation or removal, as the case may be.
- (3) Where the company fulfils the requirement of independent directors in its Board even without filling the vacancy created by such resignation or removal, as the case may be, the requirement of replacement by a new independent director shall not apply.

**XI. Separate meetings:**

1. The independent directors of the company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of management;
2. All the independent directors of the company shall strive to be present at such meeting;
3. The meeting shall:
  - a) review the performance of non-independent directors and the Board as a whole;
  - b) review the performance of the Chairperson of the company, taking into account the views of executive directors and non-executive directors;
  - c) Assess the quality, quantity and timeliness of flow of information between the company management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## **XII. Training of Independent Directors**

- i) The company shall provide suitable training to independent directors to familiarize them with the company, their roles, rights, responsibilities in the company, nature of the industry in which the company operates, business model of the company, etc.
- ii) The details of such training imparted shall be disclosed in the Annual Report.

## **XIII. Compensation Policy\***

Independent Directors of Precision Electronics Limited who serves as Independent Directors in the Board and as members to various- Audit Committee, Nomination & Remuneration committee and Stakeholder Relationship Committee and other committees formed time to time, shall be paid sitting fee for attending various committee and Board Meetings subject to necessary approvals in following manner:

<b>Board/Committee Meetings</b>	<b>Sitting Fees per meeting (In Rs.)</b>
Board Meeting	10,000
Audit Committee Meeting	7,500
Nomination & Remuneration Committee Meeting	7,500
Stakeholder Relationship Committee Meeting	2,500
Independent Directors' Meeting	10,000

## **XIV. TRAVEL EXPENSE REIMBURSEMENT**

Each of the Independent Directors shall be entitled to receive reimbursement for reasonable travel expenses which they properly incur in connection with their functions and duties as a Director.

## **XV. EFFECTIVE DATE, AMENDMENT, REVISION AND TERMINATION**

This policy may be amended, revised or terminated by the Nomination and Remuneration Committee of the Board from time-to-time so as to adjust with the dynamic Corporate Environment.

### **\*Updates:**

- (i) Compensation updated in Board Meetings held on November 12, 2014
- (ii) Compensation updated in Board Meeting held on May 28, 2015

**Signed**

**Effective  
12.08.2014**

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