



Escorts Kubota Limited

Policy on Appointment and Removal of Director's and Members of Senior Management

1. Preamble

- (i) This Policy on Appointment of Directors and Members of Senior Management (the "**Policy**") applies to the Board of Directors (the "**Board**") of Escorts Kubota Limited ("**Escorts**" or the "**Company**") and the Senior Management of Escorts. This Policy was recommended by the Nomination and Remuneration Committee of the Company ("**NRC**") and approved by the Board at its meeting held on January 16, 2015, and shall be subjected to periodic review by the NRC.
- (ii) The primary objective of the Policy is to provide a framework and set standards for the appointment of talented and self-motivated Directors and Members of Senior Management who should have the capacity and ability to lead Escorts towards achieving its stated goals and strategic objectives, taking into account the interest of all stakeholders.
- (iii) The Board is ultimately responsible for the appointment of Directors and recommending the appointment of Independent Directors to the shareholders for their approval.
- (iv) The Board delegates its responsibility for the assessment and selection of suitable candidates for the position of Directors of Escorts to the NRC, which will submit its recommendations to the Board, in accordance with this Policy.

2. Definitions

For the purposes of this Policy:

'**Executive Board**' shall mean and include the Chairman and Managing Director, Managing Director and any other Whole-time Director of Escorts appointed by the Board/ shareholders, by whatever name called.

'**Senior Management**' shall mean and include the following:

- Employees in the grade of Associate Vice President and above; and
- KMPs (other than Whole-time Directors).

3. Criteria for Appointment as a Director and Senior Management Positions:

- (i) Matching the requirements of Escorts and enhancing the competencies of the Board are the basis for the NRC to shortlist and recommend a candidate for appointment to the Board. Such candidate shall have primary or substantial strategic and balance sheet management/ profitability management responsibilities. When recommending a candidate for such appointment, the NRC shall consider:
 - (a) the results of assessment of the proposed appointee against a range of criteria formulated by the NRC which include but shall not be limited to skill sets, regional and industry experience, background, integrity and other qualities required to operate successfully in the position of Director, having due regard to the benefits of diversity of the Board;
 - (b) the extent to which the proposed appointee is likely to contribute to the overall effectiveness of the Board and work constructively with the existing Directors and Senior Management;
 - (c) the present and potential future needs and requirements of the Company and sector in which it conducts its business and operations;
 - (d) the nature of existing positions held by the proposed appointee including other directorships held or other relationships and the impact it may have on the appointee's ability to exercise independent judgement;
 - (e) the provisions of the Articles of Association of the Company;
 - (f) any requirements under applicable law (including but not limited to under the Companies Act, 2013, and/or the rules and regulations made thereunder) and/or under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR”); and
 - (g) time commitment required from a Director to properly discharge his fiduciary duties towards the Company.
- (ii) The criteria to be considered when assessing prospective candidates for appointment as Directors shall include the following:
 - (a) highest levels of personal and professional ethics and integrity;
 - (b) high quality attributes such as discipline, objectiveness, sensitivity and creativity;
 - (c) sharing and demonstrating the values of Escorts;
 - (d) qualification in relevant disciplines (e.g. finance, secretarial, management, accountancy, legal and engineers etc.) or being a recognized specialist in disciplines or areas relevant to the Company and/or its business;

- (e) experience in the management of a diverse organization, whether located in India and/or overseas, in the Sector where the Company is already doing business or intends to enter into;
 - (f) experience in accounting and finance, secretarial, administration, corporate, engineering and strategic planning or fund management;
 - (g) demonstrable ability to work effectively with the Board;
 - (h) excellent interpersonal, communication and representational skills;
 - (i) demonstrable leadership skills;
 - (j) strong influencing and negotiating skills; and
 - (k) continuous professional development to update knowledge and skills.
- (iii) The criteria to be considered when assessing prospective candidates for a Senior Management position shall include the following:
- (a) highest levels of personal and professional ethics and integrity;
 - (b) demonstrable leadership skills;
 - (c) specialist knowledge and/or experience required for the Senior Management position in question;
 - (d) good interpersonal relationships;
 - (e) demonstrating intelligence, maturity and wisdom;
 - (f) possesses managerial abilities such as effective communication skills, action focus, people engagement, cultural sensitivity, flexibility, team player, strategic thinking, etc.;
 - (g) sharing and demonstrating the values of Escorts;
 - (h) ability to significantly contribute towards achievement of the strategic and business objectives of the Company.
- (iv) Every person proposed to be appointed as a Director or a member of Senior Management should be able to give sufficient time and attention to the Company's affairs.
- (v) The Policy is aimed to engage Directors (including Non-Executive Directors and Independent Directors) and Members of Senior Management, who are highly skilled, competent, and experienced persons within the fields of business, finance,

accounting, management, sales, marketing, administration, research, corporate governance, technical operations, law or other disciplines related to the Company's business and operations.

- (vi) In addition to such requirements as may be specified under this Policy and the provisions of the Articles of Association of the Company, the Independent Directors shall also fulfill the applicable requirements prescribed under Section 149 of the Companies Act, 2013, and the rules and regulations made there under, the provisions of the SEBI LODR, and other applicable laws as modified or amended or supplemented, from time to time.
- (vii) Each Independent Director shall be required to duly submit/ make the stipulated declarations required to be furnished pursuant to the provisions of the Companies Act, 2013, and the rules and regulations made thereunder, the SEBI LODR, other applicable laws and the Articles of Association of the Company.
- (viii) No person shall be considered for appointment/ re-appointment as a Director of Escorts, if he is disqualified to be appointed/ re-appointed as such in terms of the provisions of Section 164 of the Companies Act, 2013, or under any other applicable law.
- (ix) No person shall be considered for appointment as a Director of Escorts, if he is already a Director in ten or more public companies or private companies, which is either a holding or subsidiary company of a public company.

4. Selection Process

- (i) The selection procedure to be followed for the appointment of persons for the Board is as below:
 - (a) NRC in consultation with the Chairman and Managing Director of Escorts shall determine the selection criteria applicable for each position at the Board level ("**Director Selection Criteria**").
 - (b) For the positions of Whole-time Directors and based on the applicable Selection Criteria, the NRC in consultation with the Chairman and Managing Director of Escorts, shall generate a potential list of candidates for the Board position in question who may meet the prescribed Director Selection Criteria.
 - (c) For the positions of Independent Directors or Non-Executive Directors, the NRC shall finalize a list of potential candidate(s) who meets the applicable Director Selection Criteria and shall submit such list to the Chairman of the Board along with its recommendations.
 - (d) The Chairman of the Board shall thereafter meet the shortlisted candidate(s) to assess their capability for the job. In the event that the Chairman may feel that no shortlisted candidate is suitable for appointment to the Board, the Chairman may require the NRC to submit a fresh list of candidates.

- (e) The candidate selected by the Chairman, shall be appointed in accordance with the relevant provisions of the Companies Act, 2013, rules made thereunder and the SEBI LODR, subject to the approval of the Board and/ or shareholders of Escorts at a General Meeting.
- (ii) The selection procedure to be followed for the appointment of persons at the Senior Management positions is as below:
 - (a) In case of vacancy of KMP (other than Whole-time Directors), the Company's HR in consultation with the NRC shall identify and short list employees to fill such vacancy, who may meet the criteria mentioned in this Policy. The appointment of the successful candidate shall be made by the Board in accordance with the provisions of the Companies Act, 2013, rules made thereunder, the SEBI LODR, and the Company's internal rules and regulations and policies.
 - (b) In case of vacancy in other Senior Management positions, the Company's HR shall identify and short list employees to fill such vacancy. The details of appointment will be placed before the NRC and/ or the Board for noting only.

Notwithstanding anything contained herein, the selection procedure to be followed by the NRC in consultation with the Chairman and Managing Director of Escorts for the appointment of: (i) Directors on the Board, and (ii) persons at the Senior Management positions, shall at all times be in accordance with the provisions of the Articles of Association of the Company.

5. Appointment Procedure

- (i) Every Director shall be appointed/ re-appointed by Escorts at a Board or a General Meeting in accordance with the provisions of the Articles of Association of the Company, and as per the requirements of the Companies Act, 2013, the SEBI LODR, or any other applicable laws.
- (ii) No person shall be appointed/ re-appointed as a Director of Escorts unless he/she has been allotted the Director Identification Number (DIN) and he furnishes to Escorts a declaration to the effect that he is not disqualified to become a Director under the provisions of the Companies Act, 2013 and rules made there under or under any other law for the time being in force and files consent to hold the office as Director.
- (iii) No person shall be appointed as a Director whose name appears in the list of willful defaulters published by the Reserve Bank of India.
- (iv) The NRC shall ensure that the appointment/ re-appointment of Directors of Escorts is as per the terms of this Policy and recommendations of candidates are made to the Board for appointment.

6. Term/ Tenure

(i) Managing Director/Whole Time Director

The Company shall appoint or re-appoint any person as its Managing Director or CEO or Whole Time Director for such a term as provided under the applicable laws in accordance with the terms of the Articles of Association of the Company, as applicable.

(ii) Independent Director

An Independent Director shall hold the office for a maximum term of upto five consecutive years on the Board of the Company and will be eligible for re-appointment on passing a special resolution by the Company and disclosure of such appointment in the Board's report.

Independent Directors will normally have an age limit of 75 years. The Board might however in specific cases review this age limit and continue the tenure of the appointment subject to such approvals as are needed. A new appointee will therefore be at the time of appointment will not be more than 70 years old. The limit of 75 years will not apply to non-independent directors and/ or to Independent Directors re-categorized as non-independent directors, subject the composition of the Board being in conformity with the extant guidelines.

No Independent Director shall hold the office for more than two consecutive terms, but Such Independent Director shall be eligible for appointment after the 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 other capacity, either directly or indirectly. However, if a person who has already served as an Independent Director for five years or more in the Company as on April 1, 2014, or such other date as may be determined by the Committee as per regulatory requirement, he/she shall be eligible for appointment for one more term of upto five years only.

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 seven listed companies as an Independent Director and three listed companies as an Independent Director in case such person is serving as a Whole-time (Executive) Director of a listed company.

7. Letters of Appointment to Directors

Escorts shall issue a formal letter of appointment to the person appointed as a Director of Escorts. The letter of appointment to be issued to the Independent Directors shall inter alia set out the matters as stated in Schedule IV of the Companies Act, 2013.

8. Evaluation Procedure for Directors

- (i) The NRC shall develop such assessment criteria as it shall deem fit for the purposes of undertaking performance evaluation of the Directors and the Board as a whole. The NRC shall undertake an annual performance evaluation of all Directors of Escorts based on the relevant assessment criteria developed by it.
- (ii) The assessment criteria for performance evaluation of Directors shall be disclosed in accordance with the relevant provisions of the Companies Act, 2013, the rules framed thereunder and the SEBI LODR.

9. Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made thereafter or under any other applicable Act, rules and regulations, the Committee may recommend to the Board with reasons recorded in writing, removal of a director or KMP subject to the provisions and compliance of said Act, rules and regulations.

10. Retirement

- (i) The Directors liable to retire by rotation shall retire as per the provisions of the Companies Act, 2013, read with rules framed thereunder. For Whole-Time Director(s), KMPs and members of Senior Management the retirement age shall be 58 years. The term of Independent Directors shall be governed by the provisions of the Companies Act, 2013, read with rules framed thereunder.
- (ii) Any extension of the term of services beyond the age of 58 years for Whole-Time Director(s), KMPs, members of Senior Management shall be decided by the Board of Directors on case-to-case basis upon receiving recommendations from the Nomination and Remuneration Committee. Unless otherwise decided by the Board the extension shall not be more than one year duration at a time with right to revoke the extension any time as per the terms.

11. Policy Review

- (i) This Policy may be amended, modified or supplemented from time to time to ensure compliance with any modification, amendment or supplementation to the Companies Act, 2013, and rules made thereunder, the SEBI LODR, the Securities and Exchange Board of India Act, 1992, and rules/regulations/ guidelines made thereunder, the Memorandum and Articles of Association of the Company or as may be otherwise prescribed by the Board from time to time.

- (ii) The NRC may issue/implement such guidelines, procedures, formats and/or reporting mechanisms to enforce this Policy as it may deem fit.

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