

NOMINATION AND REMUNERATION POLICY OF INTERNATIONAL TRACTORS LIMITED

I. Preface

International Tractors Limited (“ITL” or “the Company”) regards its people as its most valuable assets. The Company is committed to treating its people fairly, equitably and being an equal opportunity employer. An equitable remuneration is an important part of the Company’s effort to meet these goals. The Nomination and Remuneration Policy (“the Policy”) is in accordance with Section 178 (1) of the Companies Act, 2013 (“the Act”) and Clause 49 of the Equity Listing Agreement (“Listing Agreement”), and covers appointment, performance evaluation and remuneration to the Directors, key managerial personnel (“KMPs”), senior management and employees of the Company.

The reference of the Listing Agreement, Stock Option, Securities & Exchange Board of India Act, 1992, Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; or Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, as appears in this Policy shall become applicable as & when the Company comes out with an IPO.

II. Definitions

“**Board**” means the Board of Directors of ITL

“**Director**” means a member of the ITL Board

“**Independent Director**” means a director referred to in sub-section (6) of Section 149 of the Act and Clause 49(II)(B) of the Listing Agreement

“**Key Managerial Personnel**” or “**KMPs**” means:

- a. Chairman of the Board;
- b. Vice Chairman, Managing Director, Executive Director and Whole-time Director;
- c. Chief Executive Officer;
- d. Chief Financial Officer; and
- e. Company Secretary
- f. Such other officer as may be prescribed by the Company in view of the relevant provisions of the Act.

“**Nomination and Remuneration Committee**” or the “**Committee**” means the Committee constituted (or reconstituted) by the Board, in accordance with the provisions of the Act and the Listing Agreement.

“Remuneration” means any money or its equivalent given or passed to any person for services rendered by them and includes perquisites as defined under the Income-tax Act, 1961

“Senior Management” means personnel of the Company who are members of its core management team excluding Board of Directors, comprising all members of management one level below the Executive Directors, including the functional heads

III. Objectives

The Key Objectives of the Policy are:

- a. to guide the Board in relation to appointment and removal of Directors, Key Managerial Personnel and Senior Management;
- b. to evaluate the performance of the members of the Board; and
- c. to recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.

IV. Terms of Reference for the Committee

The Committee will work with the following terms of reference:

- a. Formulating the criteria for determining qualifications, positive attributes and independence of a director and recommending to the Board a policy, relating to the remuneration of the directors, key managerial personnel and other employees;
- b. Formulating of criteria for evaluation of the Independent Directors and the Board;
- c. Devising a policy on Board diversity;
- d. Identifying persons who qualify to become directors or who may be appointed in senior management in accordance with the criteria laid down, recommending to the Board their appointment and removal, and carrying out evaluations of every director’s performance;
- e. Analyzing, monitoring and reviewing various human resource and compensation matters;
- f. Determining the company’s policy on specific remuneration packages for executive directors including pension rights and any compensation payment, and determining remuneration packages of such directors;
- g. Determining compensation levels payable to the senior management personnel and other staff (as deemed necessary), which shall be market-related, usually consisting of a fixed and variable component;
- h. Reviewing and approving compensation strategy from time to time in the context of the then current Indian market in accordance with applicable laws;

- i. Framing suitable policies and systems to ensure that there is no violation, by an employee of any applicable laws in India or overseas, including The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; or The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003.
- j. Performing such other activities as may be delegated by the Board and/or are statutorily prescribed under any law to be attended to by the Nomination and Remuneration Committee.

V. Policy

The Policy is in line with the following guiding principles :

- a. The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors, Key Managerial Personnel and Senior Management & other employees of the quality required to run the Company successfully;
- b. Relationship of remuneration to performance is clear and meets appropriate performance benchmarks;
- c. Remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals; and
- d. Remuneration may be subject to revision from time to time in line with company performance.

Appointment Criteria and Qualifications

Directors

Factors to be considered

In evaluating the suitability of individual Board members, the Committee may take into account factors such as general understanding of the Company's business dynamics, global business and social perspective; educational and professional background, Standing in the profession; Personal and professional ethics, integrity and values; willingness to devote sufficient time and energy in carrying out their duties and responsibilities effectively; deep expertise and insights in sectors / areas relevant to the Company, ability to contribute to the Company's growth, complementary skills in relation to the other Board members. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position. The proposed appointee shall also fulfill requirements as may be prescribed, from time to time, under the Companies Act, 2013, Equity Listing Agreements and other relevant laws in relation to his appointment as a Director.

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.

Age limit

The Company shall not appoint or continue the employment of any person as Executive Chairman or Executive Vice Chairman or Managing Director or Executive Director or Whole-time Director who has attained the age of seventy years and shall not appoint Independent Director who has attained the age of seventy years. Provided that a) the term of the person holding this position may be extended beyond the age of seventy years or b) a person who has attained the age of seventy years may be appointed as Executive Chairman or Executive Vice Chairman or Managing Director or Executive Director at the discretion of the Committee 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.

Criteria for independence

The Committee shall assess the independence of Directors at the time of appointment and re-appointment and the Board shall assess the same annually. The Board shall re-assess determinations of independence when any new interests or relationships are disclosed by a Director. The Independent Directors shall abide by the "Code for Independent Directors" as specified in Schedule IV to the Companies Act, 2013. The director shall satisfy the criteria of independence, as laid down in the Act and Clause 49 of the Listing Agreement.

Board Diversity

The Committee shall assist the Board in ensuring Board nomination process with the diversity of gender, experience, knowledge and perspective in the Board, in accordance with the Board Diversity policy.

KMPs and Senior Management

Factors to be considered

A person to be appointed as KMP or at senior management level should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person are sufficient and satisfactory for the concerned position.

Other Employees

Nomination and appointment of other employees shall be as per Company's philosophy, HR policy and regulations of various authorities in this regard.

Tenure

Executive Chairman, Vice-Chairman, Managing Director, Executive Director and Whole-time Directors

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

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 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.

Retirement

The Whole-time Directors, KMPs, Senior Management personnel and other employees 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 Whole-time Directors, KMPs, Senior Management personnel or other employees in the same position and remuneration or otherwise, even after attaining the retirement age, for the benefit of the Company.

Removal

Due to reasons for any disqualification mentioned in the Companies Act, 2013, rules made there under 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 or Senior Management personnel or other employees subject to the provisions and compliance of the said Act, rules and regulations.

Board Evaluation

The Committee shall formulate the criteria and framework for evaluation of performance of every Director on the Board of the Company, Committees of the Board and the Board. The performance evaluation of the Independent Directors shall be carried out by the entire Board. The performance evaluation of the Chairman and the Non Independent Directors shall be carried out by the Independent Directors at a separate meeting held for this purpose. The performance evaluation shall be carried out on yearly basis or at such intervals as may be considered necessary.

Remuneration

The remuneration philosophy of the Company is to provide market competitive total reward opportunity that has a strong linkage to and reinforces the performance culture of the Company. The intent is to ensure that the principles of philosophy are followed thereby facilitating the Company to recruit and retain the best talent. The ultimate objective is to gain competitive advantage by creating a reward system that inspires the whole organization to deliver Company's promise to its stakeholders and achieve superior operational results.

The guiding principles for the Company's remuneration practices are as follows:

- a. Open, Fair, Consistent and Explainable: Increase transparency and ensure fairness and consistency in compensation framework
- b. Innovation: Continuously improve Company's compensation structure through innovation based on insight, analytics and expertise
- c. Simplicity, Speed and Accuracy: Simplify compensation plans and processes and deliver the information to employees quickly, clearly and efficiently
- d. Business Results: Company's business results are the ultimate test of whether compensation solutions are effective and sustainable

Executive Chairman, Vice-Chairman, Managing Director, Executive Director and Whole-time Directors

Remuneration and Commission, etc., to be paid to executive Directors shall be governed by the provisions of the Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force and the approvals obtained from the Members of the Company, as may be required. The Nomination and Remuneration Committee shall make such recommendations to the Board of Directors as it may consider appropriate with regard to remuneration to Executive Chairman, Executive Vice-Chairman, Managing Director, Executive Director and Whole-time Directors. Further, Executive Chairman, Executive Vice-Chairman, Managing Director, Executive Director and Whole-time Directors including nominee directors may or may not get sitting fee depending upon the relevant Article of the Articles of Association of the Company & the Act.

Non-executive and Independent Directors

Non-Executive and Independent Directors may receive sitting fees and/or such other remuneration as permissible under the provisions of Companies Act, 2013. The amount of sitting fees shall be such as may be recommended by the Committee and approved by the Board of Directors.

All the remuneration of the Non- Executive and Independent Directors (excluding remuneration for attending meetings as prescribed under Section 197(5) of the Companies Act, 2013) shall be subject to ceiling or limits as provided under Companies Act, 2013 and rules made thereunder or any other enactment for the time being in force. The amount of such remuneration shall be such as may be recommended by the Committee and approved by the Board or shareholders, as the case may be.

An Independent Director shall not be eligible to get Stock Options and also shall not be eligible to participate in any share based payment schemes of the Company.

KMPs and Senior Management

The remuneration to Key Managerial Personnel and Senior Management shall consist of fixed pay and incentive pay, in compliance with the provisions of the Companies Act, 2013 and in accordance with the Company's HR Policy and shall be based on industry standards, linked to performance of the self and the Company and should be a balance of fixed pay and variable pay.

Other Employees

The remuneration to other employees shall be based on Company's overall remuneration philosophy and guidelines.

VI. Exceptions

The Committee can recommend exceptions to elements of this Policy in extraordinary circumstances, whenever deemed necessary in the interests of the Company. The Committee shall note the specific reasons to make an exception in such a case and table the same for ratification at the Board Meeting.