

KIRLOSKAR OIL ENGINES LIMITED
EMPLOYEES STOCK OPTION PLAN 2019 – (KOEL ESOP 2019)

(As amended vide Shareholders' resolution dated 12th August 2021)
As further amended vide Nomination & Remuneration Committee dated 27th October 2021

Preamble

Employee stock options (ESOP's) are considered as an effective tool to attract and retain the best talent and also serve to attract, incentivize and motivate professionals and reward exceptional performance. Stock options in the hands of the employees have long been recognized as an effective instrument to align the interests of the employees with that of the Company and its shareholders, providing an opportunity to the employees to share in the growth of the Company and to create wealth in the hands of the employees. Accordingly, the Company intends to reward, attract, motivate and retain employees and directors of the Company for their high level of individual performance and for their efforts to improve the financial performance of the Company.

The KOEL ESOP 2019 as originally envisaged has come into force vide shareholders' resolution dated 9th August 2019. The KOEL ESOP 2019 was amended from time to time with a view to ensure efficient administration and implementation. The KOEL ESOP 2019 has been further amended vide shareholders' special resolution dated 12th August 2021 to cover eligible employees of the Subsidiary Company(ies) and grant Options to such employees of the Subsidiary Company(ies). In the meantime, the Company intends to amend the KOEL ESOP 2019 with a view to align it with the requirement of the SEBI SBEB & SE Regulations. Thus, the KOEL ESOP 2019 has been amended vide Nomination and Remuneration Committee Resolution dated 27th October 2021.

The aforesaid original shareholders' resolution also accorded approval to the Board of Directors, to formulate the plan as per broad parameters outlined in the resolution, either directly or through a Nomination and Remuneration Committee. Accordingly, the Nomination and Remuneration Committee of the Board after due deliberations and after studying the provisions of applicable laws and regulations has formulated the Employees Stock Option Plan 2019 – (KOEL ESOP 2019), details of which are furnished hereunder:

I. Definitions

The terms defined in this KOEL ESOP 2019 shall have the meanings herein specified and terms not defined in this KOEL ESOP 2019 shall have the meanings as defined in the Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, Companies Act 1956 to the extent not repealed, the Companies Act, 2013, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended ("SEBI ICDR Regulations") and SEBI (Share Based Employee Benefits and Sweat Equity), Regulations, 2021, as may be amended or replaced from time to time ("SEBI SBEB & SE Regulations") or in any statutory modifications or re-enactments thereof, as the case may be.

1. **"Agreement"** means the Employee Stock Option Agreement between the Company and the Option Grantee evidencing the terms and conditions of an individual Employee Stock Option. The Agreement is subject to the conditions of the KOEL ESOP 2019.
2. **"Applicable Law"** means the legal requirements relating to Employee Stock Options, including, without limitation to, the Companies Act, 2013 and rules thereof and includes any statutory modification or re-enactments thereof, Securities and Exchange Board of India (SEBI) Act, 1992,

the Securities and Exchange Board of India (SEBI) (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any stock exchange on which the shares are listed or quoted.

3. **“Board”** means the Board of Directors of the Company and shall be deemed to include any Committee, which the Board may constitute to exercise its powers, and the Nomination and Remuneration Committee, to the extent required under the SEBI **SBEB** & SE Regulations.
4. **“Companies Act”** means Companies Act, 1956, to the extent not repealed, the Companies Act, 2013, (including the Rules thereunder) and includes any statutory modifications or re-enactments thereof.
5. **“Company”** means Kirloskar Oil Engines Limited, a company incorporated under the provisions of the Companies Act, 1956, having CIN: L29100PN2009PLC133351 and having its Registered Office at Laxmanrao Kirloskar Road, Khadki, Pune – 411 003, India.
6. **“Company Policies / Terms of Employment”** mean the Company’s policies for employees and the terms of employment as contained in the employment letter and any other rules / bye-laws issued from time to time. Policies/Terms of Employment of the Subsidiary Company as regards an Option Grantee on the payrolls of such Subsidiary Company shall be deemed to be “Company Policies/Terms of Employment” for such Option Grantee.
7. **“Death”** for the purpose of this KOEL ESOP 2019 shall mean death of an Employee during the continuance of employment or service, which shall not include death due to suicide and any other reason(s) specified, if any, under the human resource policy of the Company.
8. **“Director”** means a member of the Board of the Company.
9. **“Eligibility Criteria”** means the criteria as may be determined from time to time by the Board or Nomination and Remuneration Committee as the case may be for granting the Employee Stock Options to the Employees.
10. **“Employee”** means
 1. An employee as designated by the Company who is exclusively working in India or out of India; or
 2. a director of the Company, whether whole-time or otherwise , including a non-executive Director who is not a Promoter or member of the Promoter Group; or
 3. an employee as defined in sub-clause (1) or (2) of the Subsidiary Company(ies), in India or out of India of the Company except such Subsidiary Company(ies) formed and engaged in financial service business including without limitation to the Arka Fincap Limited.

but excludes:

 - i. a Promoter or a person belongs to the Promoter Group;
 - ii. a Director, who either by himself/herself or through his/her relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding equity shares of the Company;

- iii. an Independent Director within the meaning of the Companies Act, 2013 and / or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

11. **“Employee Stock Option” or “Option”** means an Option granted to an Employee, which gives such Employee the benefit or right, but not an obligation, to purchase or subscribe at a future date the Shares underlying the option at a pre-determined price.
12. **“Exercise of an Option”** means making of an application by an Employee to the Company for issue of the Shares underlying the Options vested in him/her, in pursuance of the KOEL ESOP 2019, in accordance with the procedure laid down by the Company for the Exercise of Options.
13. **“Exercise Period”** means such a time period after vesting, within which the Employee should Exercise the Options vested in him/her in pursuance of the KOEL ESOP 2019.
14. **“Exercise Price”** means the price payable by an Employee in order to Exercise the Options granted to him/her in pursuance of the KOEL ESOP 2019.
15. **“Grant”** means the process by which the Company issues Options to the Employees under the KOEL ESOP 2019.
16. **“Grant Date”** means the date of the meeting of the Committee in which Grant of ESOPs to the Employees is approved.

Explanation,—For accounting purposes, the Grant Date will be determined in accordance with applicable accounting standards

17. **“Independent Director”** means a Director within the meaning of Section 149(6) of the Companies Act read with Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
18. **“Kirloskar Group Company”** means a subsidiary company, holding company or associate company of the Company as defined in Section 2(87), 2(46) and 2(6) respectively of the Companies Act.
19. **“Market Price”** means the latest available closing price on the Stock Exchange on which the shares of the Company are listed on the date immediately prior to the relevant date.

Explanation- If such shares are listed on more than one stock exchange, then the closing price on the stock exchange having higher trading volume shall be considered as the market price.

20. **“Misconduct”** means disregard of the Company’s bye-law, rules, regulations and the Company Policies / Terms of Employment and includes mismanagement of position by action or inaction, alleged wrong doing, misfeasance, or violation of any rule, regulation or law which was expected to be abided by the Employee.
21. **“Nomination and Remuneration Committee”** means the Committee constituted by the Board from time to time, as per the requirements of Applicable Laws, to administer and supervise the KOEL ESOP 2019 and other employee benefit schemes among other things, comprising of such

members of the Board as provided under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time and having such powers as specified under the SEBI SBEB & SE Regulations read with powers specified in this KOEL ESOP 2019 to act compensation committee.

22. **“Option Grantee”** means an Employee who has been granted an Employee Stock Option in pursuance of the KOEL ESOP 2019 and having a right but not an obligation to Exercise the Options.
23. **“Permanent Disability”** means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Option Grantee from performing any specific job, work or task which the said Employee was capable of performing immediately before occurrence of such disablement, as determined by the Board or Nomination and Remuneration Committee based on a certificate of a medical expert identified by the Company.
24. **“Promoter”** has the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
25. **“Promoter Group”** has the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. Provided where the Promoter or Promoter Group of a company is a body corporate, the Promoters of that body corporate shall also be deemed to be Promoters of such company.
26. **“Recognized Stock Exchange”** means the BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) on which the Company’s shares are listed.
27. **“Relevant Date or Grant date”** means
 1. in case of Grant, the date of the meeting of the Nomination and Remuneration Committee on which the Grant is made; or
 2. in the case of Exercise, the date on which the notice of Exercise is given to the Company by the Employee.
28. **“Retirement”** means retirement as per the rules of the Company / Terms of Employment.
29. **“Scheme / Plan / ESOP 2019”** means this KOEL Employee Stock Option Plan 2019 (KOEL ESOP 2019) under which the Company is authorised to grant Option to the Employees.
30. **“SEBI Act”** means the Securities and Exchange Board of India Act, 1992 as amended, and includes all regulations and clarifications issued there under.
31. **“SEBI SBEB & SE Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 , as amended and includes all regulations and clarifications issued there under.
32. **“Secretarial Auditor”** means a company secretary in practice appointed by a company under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial

audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

33. **"Shares"** means equity shares of the Company of face value of Rs.2 (Two) each fully paid-up arising out of the Exercise of Employee Stock Options granted under the KOEL ESOP 2019.
34. **"Subsidiary Company(ies)"** means any present or future subsidiary company(ies) of the Company as per the provisions of the Companies Act
35. **"Unvested Option"** means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to Exercise the Option.
36. **"Vesting"** means the process by which the Option Grantee is given the right to Exercise the Employee Stock Options granted to him/her in pursuance of the KOEL ESOP 2019 subject to Exercise conditions.
37. **"Vesting Condition"** means any condition subject to which the Options granted would vest in an Option Grantee.
38. **"Vesting Period"** means the period during which the Vesting of the Employee Stock Option granted to the Employee, in pursuance of the KOEL ESOP 2019 takes place.
39. **"Vested Option"** means an Option in respect to which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to Exercise the Option subject to fulfilment of Exercise conditions.

II. Interpretations

In this KOEL ESOP 2019, unless the contrary intention appears:

- a. the clause headings are for ease of reference only and shall not be relevant to interpretation;
- b. a reference to a clause number is a reference to its sub-clauses;
- c. words in singular number include the plural and vice versa;
- d. words importing a gender include any other gender;
- e. a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference.

III. Ceiling

1. The shareholders of the Company by way of special resolution approved the KOEL ESOP 2019 authorizing the Board/ Committee to grant not exceeding 14,00,000 (Fourteen Lakhs) Options to the eligible Employees in one or more tranches, from time to time, which in aggregate exercisable into not more than exceeding 14,00,000 (Fourteen Lakhs) Shares of face value of Rs.2 each fully paid up, with each such Option conferring a right upon the Employees to apply

for one Share in the Company in accordance with the terms and conditions as may be decided under the KOEL ESOP 2019.

2. The maximum number of Options under KOEL ESOP 2019 that may be granted to each Employee in any year shall in aggregate not exceed 3,00,000 (Three Lakhs) options (excluding outstanding warrants and conversions, if any) of the Company at the time of Grant of Option.
3. If an Option expires, lapses or becomes un-exercisable due to any reason, it shall be brought back to the Options pool as mentioned in Sub-clause III(1) and shall become available for future Grants, subject to compliance with all Applicable Laws.
4. Where Shares are issued consequent upon Exercise of an Option under the KOEL ESOP 2019, the maximum number of Shares that can be issued under KOEL ESOP 2019 as referred to in Clause III(1) above shall stand reduced to the extent of such Shares issued.
5. In case of a Share split or consolidation, if the revised face value of the Share is less or more than the current face value as prevailing on the date of coming into force of this Plan, the maximum number of Shares available for being granted under KOEL ESOP 2019 as specified above shall stand modified accordingly, so as to ensure that the cumulative face value (No. of Shares X Face value per Share) prior to such Share split or consolidation remains unchanged after such Share split or consolidation.
6. Prior approval of shareholders in the general meeting by passing special resolution shall be obtained in case the Grant of Options to any identified Employee is equal to or more than 1% (one percent) of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of Grant of Option.

IV. Administration

1. The KOEL ESOP 2019 shall be administered by the Nomination and Remuneration Committee. All questions of interpretation of the KOEL ESOP 2019 or any Employee Stock Option shall be determined by the Nomination and Remuneration Committee and such determination shall be final and binding upon all persons having an interest in the KOEL ESOP 2019.
2. The Nomination and Remuneration Committee shall, in accordance with this KOEL ESOP 2019 and Applicable Laws, determine the detailed terms and conditions of the Employee Stock Options, including but not limited to:
 - a. The quantum of employees stock options to be granted under the KOEL ESOP 2019 per employee under the KOEL ESOP 2019 in any financial year and in aggregate shall not exceed 3,00,000 (Three Lacs) paid-up equity shares of the Company;
 - b. If the number of Options that may be offered to any specific employee shall exceed 1% or more of the issued capital (excluding warrants & conversion) of the Company at the time of grant of Options, then the Company shall take prior approval from members of the Company;

- c. the Eligibility Criteria subject to which an Employee would become entitled to be granted options under the KOEL ESOP 2019;
- d. the Schedule for Vesting of Employee Stock Options;
- e. vesting conditions;
- f. the method for exercising the Vested Options;
- g. the conditions under which the Employee Stock Option vested in Employees may lapse in case of termination of employment for misconduct;
- h. the procedure for making a fair and reasonable adjustment to the number of Employee Stock Options and to the Exercise Price in case of a corporate action such as rights issues, bonus issues, merger, sale of division and others. In this regard the following shall be taken into consideration by the Nomination and Remuneration Committee:
 - i. the number and / or the price of the Employee Stock Options shall be adjusted in a manner such that the total value of the KOEL ESOP 2019 remains the same before and after such corporate action;
 - ii. the Vesting Period and the life of the Employee Stock Options shall be left unaltered as far as possible to protect the rights of the Option Grantee;
- i. the procedure and terms for the Grant, Vest and Exercise of Employee Stock Option in case of Employees who are on long leave;
- j. the conditions under which Options vested in Employees may lapse in case of termination of employment for misconduct;
- k. Determine the procedure for buy-back of Options granted under the Plan if to be undertaken at any time by the Company, and the applicable terms and conditions, including:
 - a) permissible sources of financing for buy-back;
 - b) any minimum financial thresholds to be maintained by the Company as per its last financial statements; and
 - c) limits upon quantum of Options that the Company may buy-back in a financial year
- l. The procedure for funding of Exercise of ESOPs, as permitted under the Applicable Laws.
- m. approve forms, writings and / or agreements for use in pursuance of the KOEL ESOP 2019;
- n. frame suitable policies and systems to ensure that there is no violation of Securities laws, as amended from time to time, including the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulation, 2015 and the Securities and

Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to Securities Market) Regulations, 2003 or any statutory modification or re-enactment of these regulations by the Company or any of its Employees, as applicable;

- o. frame any other bye laws, rules or procedures as it may deem fit for administering the KOEL ESOP 2019;
- p. decide all other matters that must be determined in connection with an Option under the KOEL ESOP 2019.

V. Coverage of the Scheme

The Scheme shall extend to the Employees based on Eligibility Criteria as may be determined by the Board or Nomination and Remuneration Committee.

VI. Eligibility Criteria or the Basis for Grant of Options

The eligibility of the employees will be specified by the Board or Nomination and Remuneration Committee which may include criteria such as role / criticality of the employee, length of service with the Company and its Subsidiary Company/ies,, work performance, technical knowledge, managerial level, future potential and such other criteria that may be determined by the Board or the Nomination and Remuneration Committee at its sole discretion as applicable.

The Board or the Nomination and Remuneration Committee may decide to extend the benefits of the KOEL ESOP 2019 to new entrants or to existing employees on such basis as it may deem fit, in accordance with applicable law.

The Board or Nomination and Remuneration Committee would determine the number of Options to be granted to eligible Employees. The decision of the Board or Nomination and Remuneration Committee with regard to eligibility criteria, the number of Options granted to particular eligible Employees, nature of vesting, exercise, etc., shall be final and the same shall not be disputed.

VII. Grant Procedure

The eligible Employee identified for grant of Option shall be intimated about the same, by means of a written communication. The communication will be issued by a person, authorized in this behalf, by the Board or Nomination and Remuneration Committee.

The communication would be in the form of Agreement which will be accompanied by the salient features of the Scheme, details including the number of Options granted to the eligible Employee, the grant date and the exercise price and an Application Form for exercising the Option at the appropriate time.

An agreement shall be entered into by and between the Company, represented by person authorized for the purpose by the Board or Nomination and Remuneration Committee, and the Employee participating in the Scheme, containing the mutual rights and obligations of either party under the Scheme.

VIII. Vesting Period / Schedule / Conditions

- a) Options granted under the KOEL ESOP 2019 would vest not earlier than one year and not later than four years from the date of Grant of such Options.

Provided that in case where Options are granted by the Company under the Plan in lieu of Options held by a person under a similar Plan in another company ("Transferor Company") which has merged or amalgamated with the Company, the period during which the Options granted by the Transferor Company were held by him may be adjusted against the minimum Vesting Period required under this Sub-clause.

Provided further that in the event of Death or permanent incapacity, the minimum vesting period of One (1) year shall not be applicable and in such instances, the ESOPs shall vest on the date of Death or permanent incapacity.

- b) Vesting of Options would be subject to continued employment with the Company and its Subsidiary Company/ies, and thus the Options would vest essentially on passage of time. However, in addition to this, the Board or Nomination and Remuneration Committee may at its discretion, lay down criteria including, but not limited to, the performance metrics on the achievement of which the granted options would vest, the detailed terms and conditions relating to such performance-based vesting and the proportion in which options granted would vest.
- c) As a pre-requisite for a valid vesting, an Option Grantee is required to be in employment or service of the Company/its Subsidiary Company/ies, on the date of Vesting and must neither be serving his/her notice for termination of employment / service, nor be subject to any disciplinary proceedings pending against him/her on such date of Vesting.
- d) The specific Vesting schedule and Vesting Conditions subject to which Options would vest would be detailed in writing and provided to the Option Grantee at the time of the Grant of Options.
- e) Vesting of Options in case of Employees on long leave:

The period of leave shall not be considered in determining the Vesting Period in the event the Employee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Nomination and Remuneration Committee.

IX. Exercise

- a) **Exercise Price:**
- i. The options will be granted at a discount of up to a maximum of 40% as decided by the Nomination and Remuneration Committee, to the latest available closing price, prior to the date of the meeting of the Nomination and Remuneration Committee, in which options are granted on the stock exchanges on which the shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

Provided that such Exercise Price shall not be less than the face value of the Share at any time.

- ii. No Exercise Price is required to be paid by the Employee at time of Grant in respect of Options granted to him/her under the KOEL ESOP 2019.
- iii. Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn or by any electronic mode in favour of the Company or in such other manner as the Nomination and Remuneration Committee may decide from time to time.

b) Exercise Period

- i. **While in employment:** The Employee Stock Options granted shall be capable of being exercised within a period being not more than three year from the date of vesting of the respective Employee Stock Options or such other period as may be determined by the Board or Nomination and Remuneration Committee as the case may be.
- ii. **In case of separation from employment:**
 - 1. In the event of resignation / termination (other than due to Misconduct or breach of Company Policies / Terms of Employment) of the Option Grantee from employment with the Company, all the Unvested Options shall stand cancelled on the date of submission of the resignation or termination, as applicable. However, all the Vested Options as on the date of submission of resignation / date of termination shall be exercisable by the Option Grantee before his/her last working day with the Company or before the expiry of the Exercise Period, whichever is earlier.
 - 2. In the event of Retirement from employment with the Company, all Vested Options should be exercised by the Option Grantee immediately after, but in no event later than two months from the date of Retirement, and all Unvested Options on the date of Retirement granted to the Employee would continue to vest in accordance with the respective vesting schedules even after Retirement or superannuation unless otherwise determined by the Nomination and Remuneration Committee in accordance with the Company's Policies and the Applicable Law.
 - 3. In case the Option Grantee has been suspended or in case of an Option Grantee against whom an enquiry is being conducted for any reason, all Options shall stand suspended and shall not vest nor shall be exercisable until the enquiry is completed. If the Option Grantee is found guilty of misconduct under any such enquiry, the provision of Clause IX b) ii) 4) shall apply.
 - 4. In the event of termination of the employment of an Option Grantee due to misconduct or breach of Company Policies / Terms of Employment, all the Stock Options granted to such Option Grantee, including all the Vested Options which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination; the date of such breach shall be determined by the Nomination and Remuneration Committee, and its decision on this issue shall be binding and final.
 - 5. In the event of termination of an Option Grantee from the Company due to reasons of Permanent Disability of the Option Grantee, all the Unvested options as on the date of such Permanent Disability shall also vest immediately and all Vested Options can

be exercised by the Option Grantee immediately after, but in no event later than six months from the date of termination of the Option Grantee due to Permanent Disability or before the expiry of the Exercise Period, whichever is later.

6. In the event of the death of Option Grantee while in employment, all the Options granted to him/her till such date shall vest in the legal heirs or nominees (if specified by the Option Grantee) of the deceased Option Grantee and all Vested Options can be exercised by the legal heirs or nominees of the deceased Option Grantee immediately after, but in no event later than six months from the date of death of the Option Grantee or before the expiry of the Exercise Period, whichever is later.
 7. In the event of abandonment of employment by an Option Grantee without the Company's consent, all the Options granted to such an Option Grantee, including the Vested Options, which were not exercised at the time of abandonment of employment, shall stand terminated with immediate effect. The Nomination and Remuneration Committee, at its sole discretion, shall decide the date of abandonment by the Option Grantee and such decision shall be binding on all concerned.
 8. In the event of separation of the Option Grantee from employment with the Company for reasons other than those mentioned above, all the Unvested Options shall stand cancelled as with effect from that date and the Nomination and Remuneration Committee will decide whether the Vested Options on the date of separation can be exercised by the Option Grantee or not, and such decision shall be binding and final.
 9. In the event of an Employee being transferred within the Company or within a Kirloskar Group Company, at instance of or with consent of the Company the Option Grantee will continue to hold all Vested Options and can Exercise them anytime within the Exercise Period. All Unvested Options shall vest as per the Vesting schedule.
- c) The vested options will be exercisable by the employees by a written application to the Company to exercise the options in such manner and on execution of such documents, as may be prescribed by the Board or Nomination and Remuneration Committee of the Company from time to time.
 - d) The Option Grantee may exercise all Options vested in him/her, at one time or at various points in time within the exercise period mentioned above.
 - e) Options which are not exercised within the Exercise Period, shall lapse or expire.

X. Lock-in

The shares arising out of exercise of Vested Option shall not be subject to any lock-in period from the date of allotment of such shares under the KOEL ESOP 2019.

Provided that the Shares allotted on such Exercise cannot be sold for such further period or intermittently as required under the terms of Code of Conduct for Prevention of Insider Trading of the Company framed under Securities Exchange Board of India (Prohibition of Insider Trading), Regulation, 2015, including amendment thereunder.

XI. Exit route in case of de-listing

If the Company gets de-listed from all the recognized Stock Exchanges, then the Board shall have the powers to set out terms and conditions for treatment of Vested Options and Unvested Option in due compliance of the Applicable Laws.

XII. Shares

a) Issue of Shares

- i. Only the Option Grantee to whom Options have been granted under the Scheme can exercise the particular Options and apply for issue of Shares subject to the payment of Exercise Price together with applicable taxes. The Shares would be issued in his / her own name only.
- ii. The Options issued to the Option Grantee shall always be convertible into Shares.
- iii. Each Option entitles the Eligible Employee to apply for and be allotted one Share each.
- iv. The Shares shall be issued in physical form or in electronic form, as required by the Option Grantee in writing.
- v. After the Options are converted into Shares pursuant to exercise of the Options, the Shares issued to the Employee shall be subject to the terms and conditions as mentioned below.

b) Ranking of Shares

- i. The Shares issued on the exercise of Options shall rank pari-passu with all the existing Equity Shares of the Company.
- ii. The Shares issued on the exercise of Options shall be eligible for full year's dividend and will have voting rights.

c) Buy-back

The Shares issued pursuant to any Exercise of Options, along with other Shares issued by the Company may, pursuant to applicable laws and procedures are subject to an approved scheme of buy-back by the Company.

d) Company's Lien

The Eligible Employee agrees that the Company shall, at all times, have the first lien on all such Shares which form the subject matter of this Scheme, whether allotted consequent to exercise of original Option granted or by way of bonus or rights issue, or in any other way resulting in grant of Options, to recover any and all amounts, of any nature whatsoever, payable by the Eligible Employee either to the Company (in discharge of any agreement with the Company) or to any statutory authority in discharge of any obligation with regard to the Scheme.

- e) Where the Option Grantee is, or remains, at the time of the issue of Shares pursuant to the Scheme, or at any time before the Options are fully exercised, a resident outside India, the issue will be made according to applicable provisions of the Foreign Exchange Management Act, 1999 and the Rules made thereunder.

XIII. Obligations of the Option Grantee

- a. **Confidentiality:** The Option Grantee shall not divulge the details of the Scheme and his/her holdings to any person except with the prior permission of the Company obtained in writing.

- b. **Insider Trading Regulations:** The Option Grantee shall not utilize any unpublished information available at his/her disposal to indulge in insider trading as prohibited under the SEBI (Insider Trading) Regulations, 2015, and shall give an undertaking to this effect in a form prescribed by the Company.
- c. **Non-Transferability of Options:** The Options held by the Option Grantee are not transferable except in the event of Death of the Option Grantee, in which case provisions at Sub-clause IX(b)(ii) would apply. The Option Grantee shall not pledge / hypothecate / charge / mortgage / assign or in any other manner alienate or dispose of the Options.

XIV. Tax Liability

- a) The liability of paying taxes, if any, in respect of Options granted pursuant to this KOEL ESOP 2019 and the Shares issued pursuant to Exercise thereof shall be entirely on Option Grantee and shall be in accordance with the provisions of Income Tax Act, 1961 read with rules issued thereunder.
- b) The Company and its Subsidiary Company/ies, shall have the right to deduct from the Option Grantee's salary, any of the Option Grantee's tax obligations arising in connection with the Options upon the Exercise thereof. In case of non-continuance of employment, the outstanding amount of the tax shall be recovered fully on or before full and final settlement.
- c) The Company and its Subsidiary Company/ies, shall have no obligation to deliver Shares until the Company's tax deduction obligations, if any, have been satisfied by the Option Grantee.

XV. Rights as a shareholder

- a) The Employee shall not have a right to receive any dividend or to vote or in any manner or enjoy the benefits of a shareholder in respect of Options granted, till Shares underlying such Options, are issued by the Company on Exercise of such Option.
- b) Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Company (for example, bonus shares, rights shares, dividend, voting, etc.) in respect of any Shares covered by the Grant unless the Option Grantee exercises the Option and becomes a registered holder of the Shares of the Company.
- c) If the Company issues bonus shares or rights shares, the Option Grantee shall not be eligible for the bonus or rights shares in the capacity of an Option Grantee. However, an adjustment to the number of Options or the Exercise Price or both would be made in accordance with sub-clause IV(2)(h) of the KOEL ESOP 2019.

XVI. Authority to vary terms

Subject to the approval of the shareholders by passing special resolution and provisions of the Applicable Law, the Board or Nomination and Remuneration Committee may at any time amend, alter, or vary the terms of the KOEL ESOP 2019 and / or terms of the Options already granted under the KOEL ESOP 2019 subject to the condition that such amendment, alteration, or variation, as the case may be is not detrimental to the interest of Employees.

XVII. Miscellaneous

a) Government Regulations

This KOEL ESOP 2019 shall be subject to all Applicable Laws including any statutory modification(s) or re-enactment(s) thereof, and approvals from governmental authorities, if any, and to the extent required.

b) Inability to obtain authority

The inability of the Company to obtain authority from any regulatory body having jurisdiction over the Company, or under any Applicable Laws, for the lawful issuance and sale of any shares hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to issue or sell such shares.

c) The Grant of an Employee Stock Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his/her contract of employment nor does the existence of a contract of employment between any person and the Company gives such person any right or entitlement to have an Employee Stock Option granted to him/her in respect of any number of shares or any expectation that an Employee Stock Option might be granted to him/her whether subject to any condition or at all.

d) Neither the existence of this KOEL ESOP 2019 nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he/she has or will in future have any such right, entitlement or expectation to participate in this KOEL ESOP 2019 or any future scheme(s) by being granted an Employee Stock Option on any other occasion.

e) The rights granted to an Option Grantee upon the Grant of an Employee Stock Option shall not afford the Option Grantee any rights or additional rights to Nomination and Remuneration Committee or damages in consequence of the loss or termination of his/her office or employment with the Company for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

f) The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he/she may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.

g) Nomination:

The Employee has to nominate a person as his/her nominee. The nominee in case of death or legal incapacity of Employee shall be the legal representative recognized by the Company as the inheritor of the Employee in respect of all rights and liabilities for the purposes of this KOEL ESOP 2019

XVIII. General Risks

Participation in this KOEL ESOP 2019 shall not be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the price of the equity and the risks associated with the investments is that of the Option Grantee alone. The Option Grantee is

encouraged to make considered judgment and seek adequate information / clarifications essential for appropriate decisions.

XIX. Accounting and Disclosures

- a) The Company shall follow the laws / regulations applicable to accounting and disclosure related to Options, including but not limited to the IND AS 102 on Share based payment/ Guidance Note on Accounting for Employee Share-based Payments and / or any relevant Accounting Standards as may be prescribed by the Central Government in terms of Section 133 of the Companies Act, 2013, or any other statutory authority from time to time, including any guidance note on Accounting for employee share-based payments issued in that regard from time to time and the disclosure requirements prescribed therein, in compliance with relevant provisions of Regulation 15 of the SEBI SBEB & SE Regulations..
- b) Where the existing Guidance Note or Accounting Standard do not prescribe accounting treatment or disclosure requirements for the KOEL ESOP 2019 then the Company shall comply with the relevant Accounting Standard as may be prescribed by the ICAI or any other appropriate authority from time to time.
- c) The Company shall make disclosures to the prospective Option Grantees containing statement of risks, information about the Company and salient features of the KOEL ESOP 2019 in a format as prescribed under SEBI SBEB & SE Regulations.
- d) The Board shall, inter alia, disclose either in the Directors report or in the annexure to the Director's report, the details of the KOEL ESOP 2019 as prescribed under applicable laws or as amended from time to time.

XX. Certificate from Secretarial Auditors

The Board shall at each annual general meeting place before the shareholders a certificate from the Secretarial Auditors of the Company that the KOEL ESOP 2019 has been implemented in accordance with the SEBI SBEB & SE Regulations and in accordance with the resolution passed in the general meeting of the Company.

XXI. Governing Law and Jurisdiction

- a) The terms and conditions of the KOEL ESOP 2019 shall be governed by and construed in accordance with the Applicable Laws including the Foreign Exchange Laws mentioned below.
- b) Foreign Exchange Laws
In case any Options are granted to any Employee being resident outside India belonging to the Company and its Subsidiary Company/ies,, working outside India, the provisions of the Foreign Exchange Management Act, 1999 and rules or regulations made thereunder as amended and enacted from time to time shall be applicable and the Company has to comply with such requirements as prescribed from time to time in connection with Grant, Vest and Exercise of Options thereof.
- c) The Courts in Pune, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this KOEL ESOP 2019.

- d) Nothing in this Clause will however limit the right of the Company to bring proceedings against any Employee in connection with this KOEL ESOP 2019:
1. in any other court of competent jurisdiction; or
 2. Concurrently in more than one jurisdiction.

XXII. Notices

- a) All notices of communication required to be given by the Company to an Option Grantee by virtue of this KOEL ESOP 2019 shall be in writing. The communications shall be made by the Company in any one or more of the following ways:
- i. Sending communication(s) to the address of the Option Grantee available in the records of the Company; or
 - ii. Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; or
 - iii. Emailing the communication(s) to the Option Grantee at the official email address provided if any by the Company during the continuance of employment or at the email address provided by the Option grantee after cessation of employment.
- b) Any communication to be given by an Option Grantee to the Company in respect of the KOEL ESOP 2019 shall be sent to the address mentioned below:

Smita Raichurkar, Company Secretary
Kirloskar Oil Engines Limited
Address: Laxmanrao Kirloskar Road, Khadki, Pune – 411 003
Tel. No. :+91-20-25810341
Fax No.:+91-20-25813208
E-mail ID: Smita.Raichurkar@kirloskar.com

XXIII. Income Tax Rules

The Income Tax Laws and Rules in force will be applicable.

XXIV. Listing of the Shares

For listing of shares pursuant to KOEL ESOP 2019, the company shall obtain the in-principle approval of the Recognized Stock Exchanges where it proposes to list the said shares prior to the grant of ESOPs.

Further, subject to the approval of the Stock Exchange(s), the Shares issued and allotted on Exercise of the Options shall be listed on the Recognized Stock Exchange(s) on which the Shares of the Company are listed or proposed to be additionally listed.

XXV. Severability

In the event any one or more of the provisions contained in this KOEL ESOP 2019 shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this KOEL ESOP 2019, but this KOEL ESOP 2019 shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein and the KOEL ESOP 2019 shall be carried out as nearly as possible according to its original terms and intent.

XXVI. Confidentiality

- a) An Option Grantee must keep the details of the KOEL ESOP 2019 and all other documents in connection thereto strictly confidential and must not disclose the details with any of his/her peer, colleagues, co-employees or with any employee and/or associate of the Company or that of its affiliates. In case Option Grantee is found in breach of this Confidentiality Clause, the Company has undisputed right to terminate any Agreement or such other document as executed under this KOEL ESOP 2019 and all unexercised Options shall stand cancelled immediately. The decision and judgment of the Company regarding breach of this Confidentiality Clause shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this clause, the Nomination and Remuneration Committee will have the authority to deal with such cases as it may deem fit.
- b) On acceptance of the grant of Option offered by the Company, it shall be deemed that as if the Option Grantee has authorized the Company to disclose information relating to the Option Grantee during the process of implementation of the KOEL ESOP 2019 or while availing any consulting or advisory services thereof or any other incidental services to its officers, professional advisors, agents and consultants on a need to know basis.

For and on behalf of Board of Directors
of Kirloskar Oil Engines Limited

Sd/-
Atul C. Kirloskar
Executive Chairman

Place: Pune
Date: 27th October 2021