

**EQUITAS SMALL FINANCE BANK LIMITED**

**ESFB EMPLOYEES STOCK OPTION SCHEME, 2019**

**Scheme of Stock Options for Employees of Equitas Small Finance Bank Limited (the "Bank")**

(Approved by way of a special resolution by the shareholders of the Bank at the EGM held on January 31, 2019 and amended on November 22, 2019)

**1. TITLE:**

This Scheme shall be called the ESFB Employees Stock Option Scheme, 2019 (hereinafter called "ESFB ESOP, 2019" or the "Scheme")

**2. OBJECTIVES OF THE SCHEME:**

The purpose of the Scheme is to encourage ownership of the Bank's Shares by employees on an ongoing basis. The Scheme is intended to benefit the Bank by enabling the Bank to attract and retain the best available talent to contribute and share in the growth of the Bank.

**3. TERMS AND CONDITIONS OF THE SCHEME:**

The Scheme contains the common terms and conditions for Grant of Stock Options to the Eligible Employees of the Bank and its holding company, Equitas Holdings Limited ("**Holding Company**"). The detailed terms and conditions (which shall include any provisions specified by the Board of Directors in this respect) of the Scheme shall be formulated by the Nomination & Remuneration Committee. The specific parameters unique to each Eligible Employee and/or Grant, such as number of Options granted, etc. shall be specified in the Letter of Grant issued to each such Eligible Employee to whom Options are granted under the Scheme and the Scheme shall, for this purpose, form an integral part of such Letter of Grant.

**4. EFFECTIVE DATE AND DURATION OF THE SCHEME:**

This Scheme shall come into force on the date of approval of the shareholders of the Bank. The Scheme may be terminated by the Board at its discretion and no Options shall be subsequently granted under this Scheme, after which this Scheme shall remain in force only until all the Options granted under the Scheme are exercised or have been extinguished. If any Options granted under the Scheme lapse / are forfeited such Options shall be available for further Grant under the Scheme. All Options outstanding under the Scheme and not granted to the Eligible Employee shall either be cancelled on termination of this Scheme or transferred to any subsequent stock option scheme introduced.

**Certified True Copy**

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For **EQUITAS SMALL FINANCE BANK LTD.**



**Company Secretary**

## 5. DEFINITIONS:

In the Scheme, unless the context otherwise requires,

(a) "Applicable Laws" means the relevant laws in force for the time being (and as amended from time to time) which govern companies and securities and those which regulate the employee stock option scheme of the companies, but without limitation shall particularly include the Companies Act, 2013, Income Tax Act, 1961, Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and guidelines/ notifications/ circulars issued there under, as amended and such other guidelines which may be stipulated by Government of India, and / or any other appropriate authority.

(b) "Bank" means **EQUITAS SMALL FINANCE BANK LIMITED** having its Registered Office presently at 4<sup>th</sup> Floor, Phase II, Spencer Plaza, No.769, Mount Road, Anna Salai, Chennai - 600 002, Tamil Nadu, India.

(c) "Board" means the Board of Directors of the Bank for the time being and includes the Nomination & Remuneration Committee.

(d) "Corporate Action" means one of the following events:

- (i) merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution or other reorganization of the Bank in which the Shares are converted into or exchanged for:
  - a. a different class of securities of the Bank; or
  - b. any securities of any other issuer; or
  - c. cash; or
  - d. other property,
- (ii) the sale, lease or exchange of all or substantially all of the assets or undertaking of the Bank.
- (iii) the adoption by the shareholders of the Bank of a scheme of liquidation, dissolution or winding up.
- (iv) acquisition (other than acquisition pursuant to any other sub-clause of this clause) by any other company, person, entity or group, of a controlling stake in the Bank. For this purpose "Controlling Stake" shall mean more than 50% of the voting share capital of the Bank resulting in change in management.
- (v) any other event, which in the opinion of the Board has a material impact on the business of the Bank.

(e) "Companies Act" means the Companies Act, 2013 of India or any statutory modification or re-enactment thereof.

(f) "Date of Grant" is the date fixed by the Nomination & Remuneration Committee to be the date, specified in the Letter of Grant, on which the ESFB ESOP, 2019 is extended to any Eligible Employee.

(g) "Director" means a director of the Bank.

(h) "Eligible Employee(s)" means:

(a) a permanent employee of the Bank who has been working in India or outside India; or

(b) a Director of the Bank, whether a whole time director or not but excluding an independent director (as defined under Section 149 (6) of the Companies Act, 2013 and provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ; or

(c) an employee as defined in clauses (a) or (b) of the Holding Company of the Bank.

but does not include-

- (i) an employee who is a Promoter or a person belonging to the Promoter Group; or
- (ii) a Director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding Shares of the Bank.

(i) "Exercise" means making of an application by the Eligible Employee to the Bank for issue of Shares against option(s) vested in him in pursuance of this Scheme.

(j) "Exercise Period" shall be the time period after Vesting within which the Grantee should Exercise his right to apply for Shares against the Options vested in him in pursuance of the Scheme.

(k) "Exercise Price" means the price payable by the Grantee for exercising the option granted to him in pursuance of ESFB ESOP, 2019.

(l) "Grant" means issue of Options to the Grantee under the Scheme.

(m) "Grantee" means an Eligible Employee, who has been Granted Options in pursuance to the Scheme pursuant to the Exercise of the Grant or successors/ legal heirs of the Eligible Employee(s) to the extent permitted in this Scheme and/or Applicable Laws.

(n) "Letter of Grant" means the letter issued to Eligible Employees granting Options and containing other specific details such as the number of Options granted, Exercise Period, etc. The Scheme shall form an integral part of the Letter of Grant.

(o) "Listing" means the date on which the Shares of the Bank are listed on the NSE, BSE or any other stock exchange.

(p) "Lock-in period" shall be such period commencing with the date of allotment of Shares as may be and if specified in the Letter of Grant. Unless so specified, there shall not be any lock-in period.

(q) "Nomination & Remuneration Committee" means the Nomination & Remuneration Committee constituted by the Board from time to time for administration and superintendence of ESFB ESOP, 2019 besides exercising other delegated powers, and shall comprise such members of the Board as provided under Section 178 of the Companies Act, 2013 as amended.

(r) "Nominee" means the spouse, any child of the Eligible Employee or any other person nominated by the Eligible Employee as provided under this scheme.

(s) "Option" or "employee stock option" means a stock option granted pursuant to the Scheme which gives the benefit or right to purchase or subscribe at a future date, the Shares offered by the Bank at a predetermined price. It comprises right granted to an Eligible Employee under the Scheme to apply for and be allotted Shares of the Bank at the Exercise Price, during or within the Exercise Period, subject to the requirements of Vesting and subject to and in accordance with the terms and conditions contained in the Letter of Grant and the Scheme.

(t) "Option Holder(s)" means the holder of an outstanding Option granted pursuant to this Scheme, having a right but not an obligation to Exercise the Options granted in pursuance of the Scheme, to subscribe to the Shares of the Bank at a future date upon such terms and conditions specified in this scheme.

(u) "Promoter" shall have the same meaning ascribed to it in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;

(v) "Promoter Group" shall have the same meaning ascribed to it in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

(w) "Scheme" or "ESFB ESOP, 2019" means this ESFB Employees Stock Option Scheme, 2019 as set out herein and as amended or modified from time to time.

(x) "SEBI" means the Securities and Exchange Board of India, constituted under the Securities and Exchange Board of India Act, 1992, as amended and includes all regulations and clarifications issued there under.

(y) "SEBI ESOP Regulations" mean the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time and the SEBI Circular No. CIR/CFD/POLICY CELL/2/2015 (Requirements specified under the SEBI (Share Based Employee Benefits) Regulations, 2014) dated June 16, 2015, as applicable.

(z) "SEBI Listing Regulations" mean the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, as amended.

(aa) "Shares" mean equity shares of the Bank.

(ab) "Vesting" or "Vest" means the process by which the Grantee is given the right to apply for Shares of the Bank against the Option granted to him in pursuance of this Scheme.

(ac) "Vesting Period" means the period as specified in the Letter of Grant, during which the Vesting of the Option granted to the Eligible Employee in pursuance of the Scheme takes place.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Companies Act, 2013, the Income Tax Act, 1961 and guidelines/ notifications/ circulars issued there under and any statutory modification or re-enactment thereof, as the case may be.

## **6. INTERPRETATION:**

In this Scheme, unless otherwise clearly indicated by, or inconsistent with the context:

(a) A reference to any one gender includes a reference to all other genders, as well as to non-living entities.

(b) The singular includes the plural and vice versa.

Reference to any Act, Rules, Statutes or Notification shall include any statutory modification, substitution or re-enactment thereof.

## **7. ADMINISTRATION OF THE SCHEME:**

(a) The Scheme shall be administered by and be under the superintendence of the Nomination & Remuneration Committee under the broad policy and framework laid down by the Bank and/or by the Board of Directors of the Bank to the extent permissible under the Companies Act, 2013, the SEBI ESOP Regulations, the Income Tax Act, 1961 and guidelines/ notifications/ circulars issued there under and as amended from time to time, in accordance with the authority delegated to the Nomination & Remuneration Committee in this regard from time to time. The Option Holder shall abide by the policies, decisions and procedures laid down by the Nomination & Remuneration Committee.

The Board of Directors of the Bank shall have the power to constitute and reconstitute the Nomination & Remuneration Committee from time to time and vary / alter / modify the powers and functions subject to the Applicable Laws and such other rules and regulations as may be in force. The Board may further provide that the Nomination &

Remuneration Committee shall Exercise certain powers only after consultation with the Board and in such case the said powers shall be exercised accordingly.

(b) Subject to the provisions of the Scheme, and subject to the approval of any relevant authorities, if any, and pursuant to the shareholders' approval in the General Meeting , the Nomination & Remuneration Committee shall inter alia, formulate from time to time specific parameters relating to the Scheme including:

i. The quantum of Options to be granted under the Scheme to a particular Eligible Employee or to a category or group of Eligible Employees and in aggregate;

ii. Determination of eligibility conditions and selection of Eligible Employees to whom Options may from time to time be granted hereunder;

iii. The Vesting Period and the Exercise Period within which the Eligible Employee should Exercise the option and that option would lapse on failure to Exercise the option within the Exercise Period;

iv. The conditions under which Options may Vest in Eligible Employees and the Options vested in Eligible Employee may lapse in case of termination of employment for misconduct;

v. The specified time period within which the Eligible Employee shall Exercise the vested Options in the event of termination or resignation of such Eligible Employee;

vi. The right of an Eligible Employee to Exercise all the Options vested in him at one time or at various points of time within the Exercise Period;

vii. To prescribe, amend and rescind rules and regulations relating to the Scheme;

viii. To construe, clarify and interpret the terms of the Scheme and Options granted pursuant to the Scheme;

ix. The procedure for making a fair and reasonable adjustment to the entitlement including adjustments to the number of Options and to the Exercise Price in case of Corporate Actions 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 & Remuneration Committee:

1. The number and price of option shall be adjusted in a manner such that total value of Option remains the same after the Corporate Action;

2. The Vesting Period and the life of Option shall be left unaltered as far as possible to protect the rights of Option Holders.

x. The granting, Vesting and Exercise of option in case of Eligible Employees who are on long leave;

xi. The procedure for cashless Exercise of Options; and

xii. Withdraw, recall, cancel or accept surrender of Options already issued/to be issued, to re-issue such withdrawn, recalled, cancelled or surrendered Options, to issue fresh Options in lieu thereof at such price in such manner during such period in one or more tranches and on such terms and conditions as the Nomination & Remuneration Committee deems fit in the best interests of the Bank and its employees.

All decisions, determinations and interpretations in respect of the Scheme shall be at the sole discretion of the Nomination & Remuneration Committee and shall be final and binding on all the Eligible Employees and Option Holders.

(c) The Nomination & Remuneration Committee shall frame suitable policies and systems to ensure that there is no violation of

- i) Companies Act, 2013;
- ii) Memorandum and Articles of Association of the Bank;
- iii) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
- iv) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- v) The Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003;
- vi) Income-tax Act, 1961, notifications, circulars and guidelines issued thereunder and
- vii) other Applicable Laws.

(d) No member of the Nomination & Remuneration Committee shall be personally liable for any decision or action taken in good faith with respect to the Scheme.

## **8. ELIGIBILITY OF EMPLOYEES:**

Only the Eligible Employees as defined in the Scheme shall be eligible to participate in this Scheme.

At such times after the Scheme comes into effect, as deemed fit by the Nomination & Remuneration Committee, the Nomination & Remuneration Committee may, invite recommendations from the management regarding Eligible Employees who could be granted Options based on the various criteria such as length of service, grade, performance, technical knowledge, leadership qualities, merit, contribution and conduct, future potential, etc., The Nomination & Remuneration Committee may thereafter decide on the Eligible Employees who are eligible for Grant of Options under the Scheme and the terms and conditions thereof.



The Board of Directors may in its absolute discretion vary or modify such criteria and/or selection and/or the terms and conditions of the Grant for any Eligible Employee or class of employees.

#### **9. ESOP SIZE:**

ESFB ESOP, 2019 would be for a total of 11,00,00,000 (Eleven crore only) Shares of Rs. 10/- each comprising of 11,00,00,000 (Eleven crore only) options, for [all Eligible Employees] of the Bank, as determined by the Nomination & Remuneration Committee.

This Scheme would be for the stated quantity of Shares that would be allotted to the present and future employees of the Bank and its Holding Company.

#### **10. ESOP PRICING**

Each option issued by the Bank to the Eligible Employees, would be eligible for allotment of one Share of the Bank on payment of the Exercise Price.

For the purposes of this Scheme, the Exercise Price shall be as determined by the Nomination & Remuneration Committee from time to time and shall be in accordance with the applicable accounting standards prescribed by the Institute of Chartered Accountants of India ("ICAI").

#### **11. GRANT OF OPTIONS:**

(a) The number of Options that would be issued to an Eligible Employee under the Scheme would be determined by the Nomination & Remuneration Committee and could be varied at the discretion of the Nomination & Remuneration Committee.

(b) All Options that have lapsed, cancelled, withdrawn, recalled, surrendered (including those having lapsed by way of forfeiture) shall be added back to the number of Options that are pending to be granted under the Scheme.

(c) The Nomination & Remuneration Committee may, on such dates as it shall determine, Grant to such Eligible Employee(s) as it may in its absolute discretion select Options of the Bank on the terms and conditions as it may decide.

#### **12. GRANT PROCEDURE AND ACCEPTANCE**

(a) Options under ESFB ESOP, 2019 will be offered through a Letter of Grant containing, among other things, the following details:

- i. No of Options being offered;
  - ii. Vesting Period;
  - iii. Exercise period;
  - iv. The Exercise Price;
- along with a copy of the Scheme;



(b) The Eligible Employee at the time of acceptance of the Options granted may appoint any person as his Nominee(s) for the purpose of exercising the rights, upon Vesting in due course, subject to the obligations in terms of the ESFB ESOP, 2019. The acceptance cum nomination form shall be issued along with Letter of Grant. The Eligible Employee has the right to revoke such nomination at any time before the option is exercised and a fresh nomination may be made on such revocation;

(c) The Nominee specified as aforesaid shall alone be entitled to Exercise the rights of the Eligible Employee concerned only in case of death of such employee and the Bank shall not be liable in relation to any rights and obligations amongst the legal heirs interest of the Eligible Employee concerned;

(d) If an Eligible Employee fails to make a nomination, the Options shall Vest on his legal heirs/legal representative in the event of his death or incapacity or insolvency;

### **13. TERM OF THE OPTIONS:**

The Options, if not exercised, shall lapse after the Exercise period and accordingly no rights under the Letter of Grant including this document shall survive on such lapse. If any Options granted under the Scheme lapse, such Options shall be available for further Grant under the Scheme.

### **14. VESTING OF OPTIONS:**

(a) Upon the Eligible Employee continuing in the employment of the Bank and upon compliance with the terms of ESFB ESOP, 2019, the Options granted by the Bank would Vest with the employee as laid down by the Nomination & Remuneration Committee.

(b) All Options granted shall Vest in and be exercised at an Exercise Price as set out in the Letter of Grant. Vested Options may be exercised in parts or full during the Exercise Period.

(c) The Vesting shall commence any time after the expiry of one year from the date of the Grant of the Options to the Eligible Employee and could, as may be determined by the Nomination & Remuneration Committee from time to time, extend up to six years from the date of the Grant of the Options. The Options could Vest in tranches.

(d) Notwithstanding anything to the contrary in this Scheme, the Nomination & Remuneration Committee shall be entitled to make the Vesting of any or all of the Options granted to an Eligible Employee conditional upon the fulfillment of such performance criteria whether of the employee and/or any team or group of which he is a part and/or of the Bank, as may be determined by the management or such other conditions as may be deemed fit by NRC or determine a Vesting schedule other than that specified hereinabove for any employee or class of employees.

(e) It is hereby clarified that the Vesting dates in respect of the Options granted under this Scheme may at the sole and absolute discretion of the Nomination & Remuneration

Committee vary from employee to employee or any class thereof and/or in respect of the number or percentage of Options granted to an employee, subject to the Applicable Laws.

(f) The Options eligible for Vesting on the basis of performance parameters (other than Options which are vested in the normal course), shall Vest in the Option Holder based on performance of the Option Holder evaluated in accordance with such performance criteria as may be laid down by the Nomination & Remuneration Committee from time to time.

(g) The Nomination & Remuneration Committee in its absolute discretion may, for any Eligible Employee or class of Eligible Employees permit the Options granted, to be vested and exercised within such time and as per such terms and conditions as it may determine.

#### **15. EXERCISE PERIOD:**

The Exercise Period of the Options shall be as follows:-

- a. All options vested shall be exercised within a period of 3 years from the date of Vesting
- b. In case of cessation of the service of the Eligible Employee due to resignation or termination of employment or for any other reason not covered under this clause, within 30 days from the date of such resignation or cessation of service whichever is earlier.
- c. In case of death or permanent disability of the Eligible Employee, the Options can be exercised by the legal heir of the Eligible Employee or the Eligible Employee as the case may be, within 6 months from the date of death or permanent disability."

#### **16. EXERCISE OF OPTION:**

(a) All Options Vesting under the Grant shall be exercised during the Exercise Period failing which the Options shall lapse.

(b) Each Option entitles the holder thereof to apply for and be allotted one fully paid Share of the nominal value of Rs.10/- each of the Bank, on the payment of the Exercise Price at any time during the Exercise Period.

(c) Any Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Nomination & Remuneration Committee and set forth in the Letter of Grant.

(d) An option shall be deemed to have been exercised when  
(i) the Bank receives application seeking Exercise of Options from the Option Holder entitled to Exercise the Option or,

- (ii) the Bank receives full payment for the Shares (Exercise price plus applicable taxes, if any) with respect to which the Options are exercised, and
- (iii) the Board of Directors of the Bank allots the Shares to the Option Holder.

(e) The Option Holder may, at his/her discretion, opt for conversion during the Exercise Period of all Options or some of the Options that remain vested, provided that each Exercise shall not be for less than 100 Options or the balance of his/her holding, whichever is less.

(f) The Nomination & Remuneration Committee shall endeavor to ensure that the process of allotment of the Shares is completed within 2 months of receipt of the papers and the payment validly exercising the Options.

(g) The Options would be exercisable by the Option Holder directly by way of a cheque or demand draft or pay order payable at Chennai by the employee or other mode as may be permitted and after which the Shares would be allotted.

(h) Option Holders who do not want to avail the Options granted to them under this Scheme, may opt out of the Scheme any time before the last date of the Exercise Period and surrender the Options to the Bank for cancellation. Such Options will be available for reissue under the Scheme;

#### **17. TERMINATION OF RELATIONSHIP AS AN EMPLOYEE:**

Subject to clause 17.3, no person other than the employees to whom the Option is granted shall be entitled to Exercise the Option.

17.1 In the event of separation of an Eligible Employee from the Bank due to reasons of the Bank terminating his services on account of permanent and total disability / partial disability, all the Options granted to him as on such date shall Vest on him on that day and the Eligible Employee may Exercise his option within the period specified in Para 15 above.

17.2 In the event of superannuation of Eligible Employees, all the Options granted shall continue as on the date of superannuation and Vest in the normal course, unless otherwise decided by the Nomination & Remuneration Committee at its sole discretion, and the Eligible Employee may Exercise his Options within 30 days from the date of such superannuation or the last date of the exercise period, whichever is later.

17.3 In the event of death of an Eligible Employee while in employment with the Bank the Options granted to him till such date shall Vest in the Nominee(s) or legal heir(s) in the absence of a valid nomination of the deceased employee or the employee as the case may be and the same may be exercised within six months from such date, by the Nominee(s) or by the legal heirs as the case may be.

17.4 In the event an Eligible Employee suffers a permanent incapacity while in employment, all the Options, granted to him till such date shall Vest in him on such date

and the same may be exercised within six months from such date by the concerned employee.

17.5 In the event of termination of employment for reasons of non-compliance of the Code of Conduct laid down by the Bank, from time to time, all Options including those, which are vested but not exercised at the time of termination of employment, shall expire and stand terminated with effect from the date of such termination;

17.6 In the event of an Eligible Employee's service being discontinued on account of resignation, the Options granted but not vested as on that day under the Scheme shall expire. However all Options which have already been vested as on that date shall be exercised by the Eligible Employee within 30 days from the date of resignation or the last date of the exercise period, whichever is earlier;

17.7 In the event of abandonment of service by an Eligible Employee, all Options including those, which are vested but were not exercised at the time of abandonment of service, shall stand terminated forthwith. The date of abandonment of an Eligible Employee shall be decided by the Bank at its sole discretion which decision shall be binding on the Eligible Employee concerned;

Provided however that in any of the above cases, subject to Applicable Law, the Nomination & Remuneration Committee may in its absolute discretion permit the Exercise of any unvested Options and / or modify the Exercise Period of any Vested Options, and the other conditions of the Grant as it may deem fit, notwithstanding anything to the contrary stated elsewhere in this Scheme, in a manner not detrimental to the interests of the Option Holders.

## **18. VALUATION OF OPTIONS AND ACCOUNTING TREATMENT**

Valuation of options granted but remaining unexercised and accounting for the same in the books of accounts would be in compliance with the provisions of law and accounting standards as applicable from time to time.

The Bank will conform to the requirements of the 'Guidance Note on Accounting for Employee Share-Based Payments' ("**Guidance Note**") or accounting standards as may be prescribed by the ICAI from time to time. Where the existing Guidance Note or accounting standard do not prescribe accounting treatment or disclosure requirements for employee stock option schemes then the Bank shall comply with the relevant accounting standard as may be prescribed by the ICAI from time to time.

## **19. NON-TRANSFERABILITY OF OPTIONS:**

- (a) Option granted to / vested with an Eligible Employee shall not be transferable to any person and shall be exercisable during the life time of the Eligible Employee only by such employee subject to clause 17.3 of ESFB ESOP, 2019.
- (b) The option granted to the employees shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.

- (c) No person other than the employee to whom the Option has been granted shall be entitled to the benefit of such Option, under cashless Exercise, the Bank may itself fund or permit the empanelled stock brokers to fund the payment of Exercise Price which shall be adjusted against the sale of proceeds of some or all the Shares, subject to the provisions of the Applicable Law or regulations.

## **20. TERMS AND CONDITIONS OF THE SHARES:**

(a) All Shares allotted on Exercise of Options will rank pari-passu with all other Shares of the Bank for the time being in issue.

(b) Until the Shares are issued, as evidenced by the appropriate entry in the register of members of the Bank, no right to vote or receive dividends or any other rights and benefits as a shareholder with respect to such Shares shall exist, notwithstanding the Exercise of the Options. As a shareholder, the Eligible Employee will be entitled to all the benefits, which may accrue to him such as dividends, bonus, rights etc.

(c) The Shares arising after Listing, out of Options granted under this Scheme shall be listed immediately upon Exercise in all recognized stock exchanges where the Shares of the Bank are listed subject to compliance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and the SEBI ESOP Regulations.

(c) Lock-in period shall be such period commencing with the date of allotment of Shares as may be and if specified in the Letter of Grant. Unless so specified, there shall not be any lock-in period.

## **21. CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION**

Except as hereinafter provided, Grant of Options made shall be subject to adjustment, by the Nomination & Remuneration Committee, at its discretion, as to the number and Exercise of Options, in the event of "Change in Capital Structure" or a "Corporate Action" as defined herein.

If there is a "Change in the Capital Structure" of the Bank before the Options granted under this Scheme are exercised, the Eligible Employee shall be entitled on Exercise of the Options, to such number of resultant Shares to which he would have been entitled as if all then outstanding Options exercised by him, had been exercised before such "Change in the Capital Structure" had taken place and the rights under the Options shall stand correspondingly adjusted.

The Shares in respect of which the Options are granted, are Shares as constituted on the date of the Grant. But if and when, prior to the expiry of the Exercise period there is a "Change in the Capital Structure" of the Bank, the number of resultant Shares with respect to which the Options may thereafter be exercised shall,

- i) in case of an increase in the number of resultant Shares, be proportionately increased, and the Exercise Price, be proportionately reduced.

- ii) in case of a reduction in the number of resultant Shares, be proportionately reduced, and the Exercise Price, be proportionately increased.

Provided further that in case the provisions of Applicable Law restrict/prohibit the issue of Shares at a discount to its par or other value, the Exercise Price shall not be less than such amount as prescribed under such law.

Where the Bank makes a further issue of capital upon which all the existing shareholders of the Bank are offered a right to subscribe for the further issue of capital at a price lower than the book value, (hereinafter called the "**Rights Issue**"), the Board may in its absolute discretion, subject to Applicable Laws in force, permit the Eligible Employees to subscribe pro-rata to the additional Shares on the same terms and conditions as the Rights Issue, as if all the Options not exercised by him had been exercised by him before such Rights Issue of the Bank, had taken place. Such newly subscribed Shares or other securities shall be issued on such terms and conditions as may be determined or deemed fit by the Board.

Notwithstanding anything to the contrary contained herein and subject to Applicable Law, in the event of such Corporate Actions the Board reserves the right to require the mandatory surrender to the Bank, by all or some of the Option Holders, of all or some of the outstanding Options, irrespective of whether, the Options, have Vested or not, as on that date. In such an event, the Nomination & Remuneration Committee shall pay to such Option Holder an amount, in cash or otherwise, per option, as the case may be, of the "Surrender Value" after deducting the balance Exercise Price payable, if any.

## **22. AMENDMENT AND TERMINATION OF THE SCHEME:**

(a) The Nomination & Remuneration Committee may at any time vary, modify, withdraw, suspend, review, or terminate the Scheme, to an extent, subject to the approval of the shareholders and after compliance with requirements of Applicable Laws, provided that the Bank shall not vary the terms of Scheme in any manner which may be detrimental to the interests of the Eligible Employees (provided that the Bank shall be entitled to vary the terms of the Scheme to meet any regulatory requirements);

(b) The Bank may by special resolution, vary the terms of the Scheme not yet exercised by the employees provided such variation is not prejudicial to the interests of the Option Holders.

(c) Termination of Scheme shall not affect the ability of Nomination & Remuneration Committee to Exercise the powers granted to it hereunder with respect to Options granted under the Scheme prior to the date of such termination; and

(d) Any variation, modification, etc. under this clause shall be subject to obtaining of approvals from concerned authorities or shareholders, as may be required and so long as otherwise, such change, etc. will be in accordance with the Applicable Laws, rules, regulations, notifications as amended and in force.

## **23. GENERAL:**

(a) This Scheme, in terms of having binding effect, is a private contract between the Bank and the Eligible Employee specified in the Letter of Grant with which this document is an integral part. It does not create any right or benefit for persons other than between the Bank and the specific Eligible Employee who has been issued a Letter of Grant of which this document forms a part. The parties hereto recognize that the Bank may provide for different terms, to the extent permissible under law, for different Eligible Employees as may be decided by the Nomination & Remuneration Committee.

(b) The Bank shall file this Scheme with such authorities and persons as it may be required under law to file or where it deems fit.

### **(c) Contract of Employment**

This Scheme shall not form part of any contract of employment between the Bank and the Eligible Employee. The rights and the obligations of any individuals under the terms of his office or employment with the Bank shall not be affected by his participation in this Scheme or any right which he may have to participate in and nothing in this Scheme shall be construed as affording such an individual, any additional rights as to compensation or damages in consequence of the termination of such office or employment for any reason.

### **(d) Government Regulations**

This Scheme shall be subject to all Applicable Laws, rules, regulations, notifications and to such permissions, sanctions and approvals by any governmental agencies or shareholders, as may be required. In case of any contradiction between the provisions of this Scheme and any Applicable Laws, rules, regulations etc., the provisions of law shall override the provisions of this Scheme. The Grant of Options under this Scheme shall entitle the Bank to require the Eligible Employee to comply with such requirements of law as may be necessary in the opinion of the Bank.

### **(e) Tax liability**

In the event of any tax liability arising on account of the Grant of the Options / conversion into Shares/transfer of Shares to the Eligible Employee, the liability shall be that of such Eligible Employee alone and the Bank shall be indemnified to the extent of income tax if any levied at any point of time.

### **(f) No right to Grant**

Neither the adoption of the Scheme nor any action of the Board of Directors or Nomination & Remuneration Committee shall be deemed to give an employee any right to be granted any Options to acquire Shares or any other rights except as may be evidenced by a Letter of Grant.

### **(g) Tax Deduction at Source/Fringe Benefit Tax/other taxes and obligations**



Notwithstanding anything contained in this Scheme or any other agreement or scheme under which Options have been granted to an employee, the Bank shall have the right to deduct and/or recover, relating to or in connection with all Grants, any and all taxes, if any, required by law to be deducted at source or otherwise and shall also recover any taxes, whether direct or indirect tax or any other cess, levy, assessments and other governmental charges, duties, impositions and liabilities by whatever name called including, without limitation, Fringe Benefit Tax, leviable or whether directly or indirectly payable by the Bank and or/and its subsidiaries at any time of the Grant or Vesting or Exercise or allotment of the Options or the Shares or at any different point of time.

**(h) Confidentiality**

The Option Holder shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Scheme, Grant or any connected matter. Any violation may result in cancellation of the Grant without prejudice to the other action which may be taken in this regard.

**(i) New Schemes**

Nothing contained in the Scheme shall be construed to prevent the Bank directly or through any trust settled by any company, from implementing any other new scheme for granting stock options and/or share purchase rights, which is deemed by the Bank to be appropriate or in its best interest, whether or not such other action would have any adverse impact on the Scheme or any Grant made under the Scheme. No employee or other person shall have any claim against the Bank and/or trust as a result of such action.

**(j) General Risk:**

Participation in this Scheme shall not be construed as any assurance of any form whatsoever including any guarantee of return on the equity investment. Any risks associated with the investment are that of the Eligible Employee alone.

**24. INTERPRETATION OF THE SCHEME AND OTHER ASPECTS**

(a) In case of any doubts or disputes as to meaning or interpretation of any clause or word of the Scheme or Letter of Grant to an Eligible Employee the matter shall be referred for final determination to the Nomination & Remuneration Committee and the decision of the Nomination & Remuneration Committee shall be final and binding on the Bank and the Eligible Employee. The Scheme and the Letter of Grant shall be subject to the laws of India and shall be subject to the jurisdiction of the High Court of Chennai.

(b) If any clause, clauses or part thereof is found to be invalid or void on any account, the remaining clause or clauses shall continue to have full force and effect as if such clause, clauses or part thereof were not contained in the Scheme.

## **25. CONFIDENTIALITY:**

(a) The Eligible Employee who holds any Options / Shares under the Scheme shall not divulge the details of the Scheme and his/her holding to any person except any disclosure as may be required as per Applicable Laws.

(b) The Eligible Employee shall enter into such agreement, as the Bank or its representatives may desire from time to time to more fully and effectively implement this Scheme.

## **26. DISCLOSURE IN ANNUAL REPORTS / DIRECTORS REPORT**

The Board of Directors shall, inter alia, disclose either in the Directors' report or in the annexure to the Director's report, the following details of the ESOP:

- (a) the total number of stock options granted;
- (b) the total number of stock options vested
- (c) the total number of options exercised;
- (d) the total number of Shares arising as a result of Exercise of options;
- (e) the total number of options lapsed;
- (f) the maximum period within which the options shall be vested;
- (g) the Exercise Price or the formula for arriving at the same;
- (h) variation of terms of options;
- (i) money realized by Exercise of options;
- (j) employee wise details of options granted to;
  - a) key managerial personnel
  - b) any other employee who receives a Grant of options in any one year, of options amounting to 5% or more of options granted during that year
  - c) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of Grant
- (k) the method which the company uses to value its options;
- (l) total number of options in force;
- (m) a statement to the effect that the company complies with the applicable accounting standards and
- (n) such other disclosures as may be mandated by law.

## **27. MISCELLANEOUS**

The Board shall at each annual general meeting place before the shareholders a certificate from the auditors of the Bank that the Scheme has been implemented in accordance with the SEBI ESOP Regulations and in accordance with the resolutions passed at the general meeting of the Bank.

**Certified True Copy**

For **EQUITAS SMALL FINANCE BANK LTD.**



**Company Secretary**