

Karnataka Bank Limited
Employees' Stock Option Scheme – 2023
(ESOS-2023)

1 Name and Objective of the Scheme:

- 1.1** This Scheme shall be called the Karnataka Bank Employees' Stock Option Scheme-2023 (hereinafter referred as "the Scheme/ESOS 2023").
- 1.2** The objective of ESOS 2023 is to provide an incentive to attract, retain and reward employees of the Company and to motivate such employees to contribute to the growth and profitability of the Company.
- 1.3** The Scheme was approved by the Board of Directors and the Shareholders of the Company on 20.02.2023 and [•] respectively.
- 1.4** The Scheme shall be effective from [•], being the date of Shareholders' approval.

2 Term of the Scheme:

- 2.1** The Scheme shall continue in effect unless terminated by the Board of Directors or till the date on which all of the options available for issuance under the scheme have been granted and exercised or lapsed whichever is earlier.
- 2.2** Any such termination of the Scheme shall not affect Options already granted and such Options granted shall remain in full force and effect as if the Scheme had not been terminated unless mutually agreed otherwise between the Grantee /Nominee / Legal Heirs and the Company.

3 Definitions:

In this Scheme, except where the context otherwise requires, the following expressions or terms shall have the meanings indicated there against.

- 3.1 "Abandonment"** means absence of an Employee from work for a period of 30 days or more without prior intimation to the Company about the reason for such absence.
- 3.2 "Applicable Law"** means every law relating to Employees Stock Options Schemes including, without limitation to, SEBI (SBEB & SE) Regulations, SEBI (LODR) Regulations, the Banking Regulation Act, 1949, Companies Act, 2013, RBI circular and all relevant revenue, tax, securities or exchange control regulations or corporate laws of India or any relevant jurisdiction and includes Rules framed thereunder, if any, and any statutory modifications or re-enactments thereof, to the extent applicable.
- 3.3 "Board of Directors"** means the Board of Directors of the Company.
- 3.4 "Cash Mechanism"** means a route under which the Grantee will receive the Shares equivalent to the number of the Options exercised after the Grantee has made the payment of the Exercise Price and applicable tax in accordance with the terms and conditions of the Scheme and as mentioned in grant letter.

3.5 “Clawback” is a contractual agreement between the employee and the Company in which the employee agrees to return previously paid or vested remuneration/benefits to the Company under certain circumstances specified at the time of Grant of Options or those defined in the Company’s Compensation Policy.

3.6 “Committee” means Nomination and Remuneration Committee of the Company and designated as Compensation Committee for the purpose of monitoring, administering, superintending, and implementing the Scheme in compliance with SEBI (SBEB & SE) Regulations.

3.7 “Company” means Karnataka Bank Limited.

3.8 “Compensation Policy” means Company’s Policy on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and control function staff.

3.9 “Corporate Action” means a change in the capital structure of the Company including but not limited to Bonus Issue, Rights Issue, Split of Shares and Consolidation of Shares.

3.10 “Director” means a Director appointed to the Board of Directors of the Company.

3.11 “Employee” means-

- a. A Whole Time Director of the Company.
- b. Chief Executive Officer of the Company.
- c. Members of the staff of the Company, exclusively working in India or outside India, who is designated as a "Material Risk Taker" or engaged in control functions such as financial and risk control, including internal audit ;
- d. Any other categories of Company's staff not below the scale of Deputy General Manager or its equivalent exclusively working in India or outside India, as may be identified by the NRC from time to time.

But does not include:

- a. A Company’s staff who is a Promoter or a person belonging to the Promoter Group;
or
- b. A Director who either himself or through his Relatives or through any Body Corporate, directly or indirectly, holds more than ten percent of the outstanding Shares of the Company.

- c. the staff members under IBA pay scale.
- 3.12 “Eligibility Criteria”** means the criteria, as may be determined from time to time by the Committee for granting of employee stock options.
- 3.13 “Employee Stock Options”/ “Options”** means a right but not an obligation granted to a Grantee to purchase or subscribe at a future date, to the Shares offered by the Company, at a pre-determined exercise price in accordance with this Scheme.
- 3.14 “ESOS 2023”** shall mean Karnataka Bank Limited Employees Stock Options Scheme – 2023.
- 3.15 “Exemplary/Exceptional Performance”** means performance of an employee for a performance period as evaluated by the appraising authority and confirmed by the NRC, by which the concerned employee becomes eligible for receipt of variable pay as per the slab defined in the Compensation Policy or terms of appointment.
- 3.16 “Exercise”** means making an application, in such manner and in such format as may be prescribed by the Committee, from time to time, by the Grantee, to the Company for issue of Shares, against the vested Options through Cash Mechanism.
- 3.17 “Exercise Period”** means the time period within which a Grantee can exercise his/her right to apply for Shares after vesting of Options.
- 3.18 “Exercise Price”** means the price payable by the Grantee for exercising the Options vested in him/her.
- 3.19 “Grant”** means the process by which the Company issues Options to the Grantee under the Scheme.
- 3.20 “Grant Date”** means the date on which the Committee approves the Grant.
- 3.21 “Grantee”** shall mean Employee to whom Options have been granted under KBL – ESOS 2023 and in case of permanent disablement/death of an employee his/her legal heirs/nominee(s).
- 3.22 “Independent Director”** shall have the same meaning as defined in regulation 16 of SEBI (LODR) Regulations and section 2(47) of the Companies Act, 2013, as amended from time to time.
- 3.23 “Lock-in Period”** means the time period during which the shares allotted are not

permitted to be transferred by an Employee.

3.24 “Long Leave” means an approved leave taken by the Grantee for a period of more than three months out of twelve months starting from the date of grant / vesting, as the case may be.

Provided that the period of long leave shall not include the period in which the Grantee is on a sabbatical or maternity leave. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Long Leave unless otherwise determined by the Committee.

3.25 “Market price” means the latest available closing price on a recognized stock exchange on which the Shares of the Company are listed, on the date immediately prior to the relevant date.

Explanation – As the Shares of the Company are listed on more than one recognized stock exchange, hence the closing price on the recognized stock exchange having higher trading volume shall be considered as the market price.

3.26 “Malus” means an arrangement that permits the Company to prevent Vesting of all or part of the Options granted to a Grantee in the event of failure to comply with the conditions for Vesting or upon happening of the trigger events as defined in the Compensation Policy. However, the malus arrangement shall not reverse the Vesting of already Vested Options.

3.27 “Permanent Incapacity” means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps a Grantee from performing any specific job, work or task which the said Grantee was capable of performing immediately before such disablement, as determined by the Committee based on a certificate of a medical expert identified by the Company.

3.28 “Promoter” shall have the same meaning as defined in regulation 2 of SEBI (SBEB & SE) Regulations, as amended from time to time.

3.29 “Promoter Group” shall have the same meaning as defined in regulation 2 of SEBI (SBEB & SE) Regulations, as amended from time to time.

3.30 “RBI Circular” means RBI circular bearing reference number RBI/2019-20/89 DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019 read with RBI circular No. DOR.GOV.REC.44/29.67.001/2021-22 dated August 30, 2021, as amended from time to time.

- 3.31 “Recognised Stock Exchange”** means a stock exchange which has been granted recognition under section 4 of the Securities Contracts (Regulation) Act, 1956.
- 3.32 “Relative”** shall have the same meaning as defined in section 2(77) of the Companies Act, 2013, as amended from time to time.
- 3.33 “Relevant date”** means the date of the meeting of the Board/Committee in which the grant is made. In case of exercise, the relevant date is the date in which the notice of exercise is given to the Company by the grantee.
- 3.34 “Scheme”** shall mean Karnataka Bank Limited Employees’ Stock Options Scheme-2023 and shall include any alteration(s), amendment(s), addition(s), deletion(s), modification(s), or variation(s) thereof from time to time.
- 3.35 “SEBI (SBEB & SE) Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits & Sweat Equity) Regulations, 2021 and shall include any alteration(s), amendment(s), addition(s), deletion(s), modification(s), or variation(s) thereof.
- 3.36 “SEBI (LODR) Regulations”** means the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and shall include any alteration(s), amendment(s), addition(s), deletion(s), modification(s), or variation(s) thereof.
- 3.37 “Shares”** means Equity Shares of the Company of face value of Rs.10 each.
- 3.38 “Unvested Option”** means an Option, which is not vested.
- 3.39 “Vested Option”** means an Option, which has vested in pursuance to the Scheme and has thereby become exercisable.
- 3.40 “Vesting”** means the process by which the Grantee becomes entitled to receive the benefit of a grant made to him/her under the Scheme.
- 3.41 “Vesting Date”** means the date on and from which the Option vests with the Grantees and there by becomes exercisable.
- 3.42 “Vesting period”** means the period during which the vesting takes place.

3.43 “Whole Time Director” shall have the same meaning as defined in section 2(94) of the Companies Act, 2013, as amended from time to time.

Interpretation:

In this document, unless the contrary intention appears:

- a. The singular includes the plural and vice versa;*
- b. The word “person” includes an individual, a firm, a body corporate or unincorporated body or authority; and*
- c. Any word or expression importing the masculine, feminine or neutral genders only, shall be taken to include all three genders.*
- d. Any word which is not defined under the Scheme shall be interpreted in line with ,the Banking Regulation Act 1949, RBI Circulars, SEBI (SBEB & SE) Regulations 2021, SEBI (LODR) 2015, Companies Act, 2013 any other Regulations/Act as applicable, and any statutory modification or re-enactment thereto and shall have the meanings respectively assigned to them in those legislation, as the context requires and the decision of the Committee in this regard will be final and binding.*
- e. Article headings are for information only and shall not affect the construction of this document.*
- f. A reference to an article is respectively a reference to an article of this document.*
- g. Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.*

4 Implementation & Administration:

- 4.1** The Scheme shall be implemented through direct route by way of fresh allotment and will follow cash mechanism.
- 4.2** The Company will allot fresh Shares to the Grantees upon successful exercise of Options in accordance with terms and conditions of ESOS 2023.
- 4.3** Subject to applicable laws and the framework, if any, laid down by the Board of Directors, the Scheme shall be administered by the Committee.
- 4.4** The Committee is authorized to interpret the Scheme, to establish, amend and rescind any rule(s) and regulation(s) relating to the Scheme and to make any other determinations that it deems necessary or desirable for the administration and implementation of the Scheme.
- 4.5** Any decision of the Committee in the interpretation and administration of the Scheme, as described herein, shall lie within its sole and absolute discretion and

shall be final, conclusive and binding on all the parties concerned (including but not limited to, Grantee and/or Employee and their Nominees / Legal heirs).

4.6 The Committee shall subject to applicable laws, *inter alia*, have powers to do following:

- 4.6.1** To adopt rules and regulations for implementing the Scheme from time to time.
- 4.6.2** To decide upon grant of Options which were lapsed, forfeited or surrendered under any provisions of the Scheme.
- 4.6.3** To increase or reduce the pool of Options to be granted under the Scheme.
- 4.6.4** To identify the Employees eligible to participate in the Scheme.
- 4.6.5** To finalize the Eligibility Criteria for Grant of Options.
- 4.6.6** To determine the number of Options to be granted to each eligible employee and in aggregate subject to the pool of the Scheme.
- 4.6.7** To determine the grant date.
- 4.6.8** To grant Options to one or more eligible Employees.
- 4.6.9** To decide the Exercise Period within which Employees can Exercise the Option.
- 4.6.10** To decide upon the mode and manner of exercise.
- 4.6.11** To determine the Grant, Vesting and Exercise of Options for Employees on Long Leave.
- 4.6.12** To decide upon treatment of vested and unvested Options in cases of cessation of employment as specified in the Scheme.
- 4.6.13** To decide upon the treatment of vested and unvested Options in the event of Corporate Actions taking into consideration the following:
 - 4.6.13.1 the number and price of Options shall be adjusted in a manner such that the total value to the Grantee of the Options remains the same after the Corporate Action;
 - 4.6.13.2 the vesting period and the life of Options shall be left unaltered as far as possible to protect the rights of the Grantee who has been granted such Options.
- 4.6.14** To cancel all or any granted Options in accordance with the Scheme.
- 4.6.15** To decide upon treatment of vested and unvested Options in cases of dispute between the Grantee and Company.
- 4.6.16** To finalize letters and other documents, if any, required to be issued under the Scheme.
- 4.6.17** To establish, amend, suspend or waive such rules and regulations as it shall deem appropriate for the proper administration of the Scheme.
- 4.6.18** To appoint such agents as it shall deem necessary for the proper administration of the Scheme.
- 4.6.19** To determine or impose other conditions under the Scheme, as it may deem

appropriate.

- 4.6.20** To frame suitable policies and procedure to ensure that there is no violation of securities laws, including the SEBI (Prohibition of Insider Trading) Regulations, 2015 and the SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 as amended, by the Company or the Employees.
 - 4.6.21** To determine the procedure for buy-back of Options granted under the Scheme, if to be undertaken at any time by the Company, and the applicable terms and conditions, in accordance with the applicable laws.
 - 4.6.22** To modify the terms for cessation of employment as mentioned in this Scheme.
 - 4.6.23** To make suitable rules to be applicable in case of any grantee opting for financing facility for exercising options.
 - 4.6.24** To Frame rules and regulations, prescribe forms and issue circulars or orders in relation to the Scheme and may from time to time amend, recall or replace such rules and regulations, forms, orders and circulars.
- 4.7** The powers and functions of the Committee can be specified, varied, altered or modified from time to time by the Board of Directors, subject to the rules and regulations as may be in force. The Board of Directors may further provide that the Committee shall exercise certain powers only after consultation with the Board of Directors and in such case, the said powers shall be exercised accordingly.
- 4.8** A member of the Committee shall abstain from participating in and deciding on any matter relating to grant of any Options to himself.

5 Pool of the Scheme:

- 5.1** The maximum number of options that may be granted in one or more tranches under ESOS 2023 shall not exceed 15,00,000 (Fifteen Lakh) Options, wherein each Option shall be convertible into equal number of equity shares of face value of Rs.10 each of the Company.
- 5.2** If any Option granted under ESOS 2023, lapses or is forfeited or surrendered under any relevant provision, such Option shall be available for further grant under the Scheme unless otherwise determined by the Committee.
- 5.3** Further, in case of any corporate action, the maximum number of Options that can be granted and the resultant Shares upon exercise of these options shall stand adjusted .
- 5.4** The Company reserves the right to increase or decrease the pool of the Scheme, as

it deems fit, in accordance with the applicable laws.

6 Appraisal and Eligibility Criteria:

- 6.1** The Committee may decide on the Employees who are eligible for the grant of Options under the Scheme and the terms and conditions thereof.
- 6.2** The Committee may on the basis of all or any of the following criteria, decide on the Employees who are eligible for the grant of Options under the Scheme and the terms and conditions thereof.
- Performance: Employee's performance during a financial year on the basis of the assigned KRAs/ parameters decided by the Board of Directors.
 - Performance of Company: Performance of the Company as per the Corporate Goal/ standards set by the Board of Directors.
 - Performance parameters/conditions stipulated in the Compensation Policy of the Company as applicable to Wholetime Directors/Material Risk Takers and control function staff.
 - Any other criteria as decided by the Board/Committee from time to time.
- 6.3** The Employees satisfying the above eligibility criteria or those identified on the basis of their exemplary/ exceptional performance during the performance period as evaluated by the appraising authority and confirmed by the NRC shall be termed as eligible Employee
- 6.4** Nothing in the Scheme or in any Option Granted pursuant to the Scheme shall confer on any Employee, any right to continue in the employment of the Company or interfere in any way with the right of the Company to terminate the Employee's employment at any time.

7 Other Terms and Conditions:

- 7.1** Nothing herein is intended to or shall give the Grantee, any right to status of any kind as a Shareholder of the Company in respect of any Share covered by the grant, unless the Grantee exercises the Options and becomes the registered Shareholder of the Company.
- 7.2** The Grantee shall not be entitled to any compensation or damages for any loss or potential loss which s/he may suffer by reason of being unable to exercise Options, in whole or in part.
- 7.3** The maximum quantum of benefits that may accrue to any eligible Employee under the Scheme on exercise of each option will be the difference between the market price of

Company's Share on the Recognized Stock Exchanges as on the date of exercise of Options and the exercise price paid by the Employee.

7.4 The Company may opt for buy-back of Options granted under the Scheme any time during validity of the Scheme as per the conditions/procedure as prescribed in the Companies Act, 2013, SEBI Regulations or any other law as may be applicable from time to time.

8 Malus / Clawback:

All the Options granted under this Scheme, shall be subject to the Malus/ Clawback arrangements in the circumstances as specified in the Company's Compensation Policy.

9 Notices and correspondence:

9.1 Any notice required to be given by a Grantee to the Company or any correspondence to be made between a Grantee and the Company or the Committee may be given or made to the Company at the Corporate Office or Registered Office of the Company or at the place as may be notified by the Company in writing or at the specific designated email id of the Company.

9.2 Any notice, required to be given by the Company to a Grantee or any correspondence to be made between the Company or the Committee and a Grantee shall be given or made by the Company or on behalf of the Committee at the email Id registered by the Grantee in the payroll system of the Company (presently HRMS).

10 Nomination of Beneficiary:

10.1 Each Grantee under the Scheme shall nominate, from time to time, any Beneficiary or Beneficiaries to whom any benefit under the Scheme is to be delivered in case of his or her Death/Permanent Incapacity before s/he receives all of such benefits. Each such nomination shall revoke all prior nominations by the same Grantee. The nomination shall be in a form prescribed by the Company and will be effective only when filed by the Grantee in writing with the Company during the Grantee's lifetime.

10.2 If the Grantee fails to make a nomination, the Shares shall Vest in his/her legal heirs in the event of his/her death.

11 Corporate Action:

In the event of a corporate action, the Committee, subject to the provisions of applicable laws,

shall make fair and reasonable adjustments under the Scheme, as it deems fit, with respect to the number of Options, exercise price and make any other necessary amendments to the Scheme for this purpose. The number and price of Options shall be adjusted in a manner such that the total value to the Grantee of the Options remains the same after the Corporate Action and the vesting period and life of the Options shall be left unaltered as far as possible

12 Disclosure and Accounting Policies:

12.1 Necessary disclosures shall be made in the Director's Report in accordance with the provisions of Companies Act, 2013 and applicable SEBI Regulations.

12.2 The Company shall comply with the requirements of applicable Accounting Standards.

12.3 The Company shall use fair value method or such other method as prescribed by the RBI from time to time.

12.4 The fair value thus arrived at will be recognised as an expense beginning with the accounting period for which RBI has granted approval as may be applicable.

13 Taxability on the Employee:

13.1 There would be a double point of Taxation on the Grantee.

- **Point 1:** At the time of exercise of the Options, the difference between the market price of the shares as on date of exercise and the Exercise Price will be added as a perquisite under salary in the month of exercise. The Company shall have the right to deduct from the employee's salary, any of the employee's tax obligations arising in connection with the exercise of options. Further, the Company shall also have the right to demand from the employee the applicable tax before permitting exercise of the vested options. The Grantee will be liable to pay the taxes at the individual slab rate in which he/she falls and the liability of paying taxes, if any, in the employee stock options granted pursuant to ESOS 2023 shall be entirely on the option grantee in accordance with the provisions of Income Tax Act, 1961 and rules framed there under, as amended from time to time.

Point 2:

- At the time of sale of the Shares of the Company by the Grantee, the Grantee would be liable to pay tax on capital gain (Long Term / Short Term) as per applicable

provisions of Income Tax Act, 1961 and rules framed there under, as amended from time to time.

13.2 The Grantee shall ensure compliance to all tax laws/liabilities as may be applicable from time to time.

14 Arbitration:

14.1 In the event of a dispute arising out of or in relation to the provisions of this Scheme except on account of those parameters mentioned under 21.6 below, the relevant parties shall attempt in the first instance to resolve such dispute through an amicable settlement. The attempt to bring about an amicable settlement shall be considered to have failed as soon as one of the parties hereto, after reasonable attempts, which attempt shall continue for not more than 30 days, gives 10 days' notice thereof to the other party in writing.

14.2 In case of such failure, either party may refer the dispute to a single arbitrator. The arbitration proceedings shall be held in Mangaluru , Karnataka, India under and in accordance with the Arbitration and Conciliation Act, 1996 and any statutory modification or re-enactment thereof. The arbitrator shall give a reasoned award in writing. The arbitrator shall also decide on the costs of the arbitration proceedings. The parties shall submit to the arbitrator's award and the award shall be enforceable in competent court of law at Mangaluru, Karnataka, India.

14.3 In case of parameters mentioned under 21.6 below, the decision of the Committee shall be final.

15 Governing Law:

15.1 This Scheme and all related documents thereunder shall be governed by and construed in accordance with the SEBI (SBEB & SE) Regulations, RBI Circulars and other applicable laws of India.

15.2 Any term of the Scheme that is contrary to the requirement of the SEBI (SBEB & SE) Regulations or any other applicable laws shall not apply to the extent it is contrary.

15.3 The Courts at Mangaluru, Karnataka, India shall alone have exclusive jurisdiction on any matter arising out of this Scheme.

16 Regulatory Approvals:

16.1 The implementation of the Scheme, the Granting of any Options and issuance of any

Shares under this Scheme shall be subject to the procurement by the Company and the Grantee / nominee/legal heirs of all approvals and permits, if any, required by any regulatory authorities having jurisdiction over the Scheme. The Grantee / nominee/legal heirs under this Scheme will, if requested by the Committee/ Company, provide such assurances and representations to the Company or the Committee, as the Committee may deem necessary or desirable to ensure compliance with all applicable legal and accounting requirements.

17 Modification of Scheme:

17.1 Subject to the applicable laws, the Committee may, at any time:

17.1.1 Revoke, add to, alter, amend or vary all or any of the terms and conditions of the Scheme or all or any of the rights and obligations of the Grantee.

17.1.2 Formulate various sets of special terms and conditions in addition to those set out herein, to apply to the specific Grantee or class or category of Grantees. Each of such sets of special terms and conditions shall be restricted in its application to those specific Grantee or class or category of such Grantees.

17.2 Any amendment, variation or modification under the Scheme shall not be prejudicial to the interest of the Grantees.

18 Confidentiality:

Notwithstanding anything contained in this Scheme, the Grantee shall not divulge the details of the Scheme and/or his holdings to any Person except with the prior written permission of the Committee unless so required to do under the applicable laws or any statutes or regulations applicable to such Grantee.

19 Grant of Options:

19.1 The Committee may grant Options to one or more eligible Employees in accordance with the terms and conditions of the Scheme for the time being in force, RBI Circulars and subject to Employee's employment terms or his continuity in the employment, and other parameters as set out by the Committee, if any.

19.2 Subject to availability of Options in the pool under the Scheme, the maximum number of Options that can be granted to any eligible Employee during any one year shall not be equal to or exceed 1% of the issued equity share capital (excluding outstanding warrants and conversions) of the Company at the time of Grant. The Committee may

decide to Grant such number of Options equal to or exceeding 1% of the issued equity share capital (excluding outstanding warrants and conversions) to any eligible Employee as the case may be, subject to the separate approval of the Shareholders in a general meeting.

19.3 The grant of Options shall be communicated to the eligible Employees through a grant letter in writing or electronically through e-mail specifying the vesting date, number of Options granted, exercise price, vesting schedule, and other terms and conditions thereof.

19.4 No amount shall be payable by an Employee at the time of grant of Options.

19.5 Upon grant, an eligible Employee shall become Grantee under the Scheme.

19.6 Subject to the corporate action(s) by the Company, if any, the grant of 1 (One) Option to an Employee under this Scheme shall entitle the holder of the Option to apply for **equal number of shares** of face value of Rs.10 in the Company upon payment of exercise price, applicable taxes and other charges, if any.

19.7 The Options granted to the eligible Employees shall not be transferable to any other person.

19.8 The Options granted to the eligible Employees shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.

20 Vesting of Options:

20.1 Vesting period shall commence from the grant date and shall be minimum 1 (One) year from the Grant Date and the options granted under this Scheme shall vest in a graded manner over a period of 3 (Three) years at the discretion of and in the manner prescribed by the Committee.

20.2 Vesting of Options will be on a yearly basis.

20.3 The vesting schedule will be clearly defined in the Grant Letter of respective Grantees subject to minimum and maximum Vesting Period as specified in 20.1.

20.4 The vesting schedule of Options shall be as follows:

Time period of vesting	% of granted Options to be vested
On completion of 1 st year from the grant date	30 % of the options granted
On completion of 2 nd year from the grant date	30 % of the options granted
On completion of 3 rd year from the grant date	40 % of the options granted

20.5 The vesting would further be subject to continued employment in the Company unless otherwise exempted by the Committee on the basis of any exemption granted by SEBI.

20.6 Further for any fraction entitlement, to which the Grantee would become entitled to upon vesting of Options, then the Options to be vested be rounded off to nearest lower integer.

20.7 The vesting of Options shall be communicated to the eligible Grantees in writing or electronically through vesting letter/email.

20.8 The Grantee is not required to pay any amount at the time of Vesting of Options.

20.9 In the event where a dispute arises between Grantee and the Company, vesting will be put on hold till the date of settlement to the satisfaction of the Committee.

21 Exercise of Options:

21.1 After vesting, Options can be exercised within the exercise period, either wholly or in part, through cash mechanism under which the Grantee will receive the Shares in accordance with the terms and conditions of the Scheme on successful exercise along with payment of the exercise price, applicable taxes and other charges, if any and providing details of active Demat account in the name of the grantee.

21.2 The exercise period shall be a maximum of up to 3(Three) years from the date of respective vesting. The exercise period is subject to the terms applicable on Cessation of employment as mentioned in Sl No.24 of this Scheme. Failure to comply within this time period, shall result in lapse of vested Options in the hands of Grantee.

21.3 The mode and manner of the exercise shall be communicated by the Company to the Grantees individually or through a circular letter.

- 21.4** Upon valid exercise the Company will allot requisite number of Shares to the Grantee. The Shares so allotted shall rank pari-passu with the existing shares of the Company.
- 21.5** The Grantee may avail the financing facility from any third parties other than from the Company for exercising the options. In such case, allotment of shares shall be made only after the receipt of Exercise Form from Employee and Exercise Price, applicable Income Tax and other charges, if any, from Financer or Employee, as the case may be.
- 21.6** Notwithstanding anything contained elsewhere in the Scheme, the Company, may not allot Shares, in the event of the Grantee being found to be involved in fraud, misfeasance, moral turpitude, gross negligence, breach of trust or like event(s) and in such an event(s) the rights under the Options (whether vested or not) shall be as per Company's Policy on Granting Stock Options to Employees involved in Disciplinary Cases and the Compensation Policy.
- 21.7** If the vesting or exercise of Options is prevented by any law or regulation in force and the Company is forbidden to allot Shares pursuant to exercise of Options under such law or regulation, then in such an event the Company shall not be liable to compensate the Grantee in any manner whatsoever.
- 21.8** The Committee shall have the power to cancel all or any of the Options granted under the Scheme, if so required, under any law for the time being in force or the order of any jurisdictional court. In the event of any such cancellation, the Company shall not be liable to compensate the Grantee in any manner.
- 21.9** In the event where a dispute arises between Grantee and the Company, exercise of Options will be put on hold till the date of settlement to the satisfaction of the Committee. Further, no compensation will be paid for deemed loss, if any, during the intervening period.

22 Lock in Requirements:

- 22.1** The Shares allotted to the Grantees pursuant to exercise of Options may be put under lock-in at the discretion of the Committee.
- 22.2** The Shares allotted shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner during lock-in period.

23 Exercise Price:

23.1 Under this Scheme, the exercise price for Options will be decided by the Committee on the basis of market price applicable for each grant as defined in the Scheme.

23.2 Further, Committee has the power to re-price the granted Options in future if the grant made under the Scheme is rendered unattractive due to the fall in the price of Shares, after complying with the conditions as mentioned in the SEBI (SBEB & SE) Regulations.

24 CESSATION OF EMPLOYMENT

, the following terms shall be applicable in case of cessation of employment:

		Granted and Vested	Granted but Unvested*
1	Resignation / Termination (other than due to misconduct, moral turpitude or ethical/compliance violations or like event or breach of Company's policies/terms of employment)	All the Vested Options up to the last working day with the Company shall be exercisable by the Option Grantee within six months from the said date, failing which all the unexercised Options shall lapse irrevocably and the rights there under shall be extinguished.	All Unvested Options on the last working day with the Company shall expire.
2	Termination due to misconduct, moral turpitude or ethical/compliance violations or due to material breach of policies or the terms of employment	In addition to the applicability of the malus and claw back, if any, imposed by the NRC, all the Vested Options which were not exercised at the date of such termination shall stand cancelled with effect from the date of such termination.	All Unvested Options on the date of such termination with the Company shall expire.
3	Superannuation/Retirement (including early retirement and demission of office upon completion of the fixed tenure including the term for Directors)	All the options granted as on the date of retirement/completion of fixed term, would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation, thereafter, shall be exercised within the exercise period, failing which all the unexercised Options shall lapse irrevocably and the rights thereunder shall be extinguished.	
4	Death/Permanent incapacity	The minimum vesting period of one year shall not apply in the event of the death or permanent disability of an employee, and in such cases, the options granted as of the date of death or permanent incapacity, as the case may be, shall vest immediately on the nominee(s)/legal heir(s), as the case may be. These options must be exercised within a period of 12 months from the date of the grantee's death or	

		Granted and Vested	Granted but Unvested*
		permanent incapacity failing which all the unexercised Options shall lapse irrevocably and the rights there under shall be extinguished.	
5	Abandonment of employment by the employee or absence from the office for more than three months without any sanctioned leave or any Other Reasons apart from those mentioned above.	The NRC will decide whether the Vested Options as on that date can be exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of termination of employment shall expire with effect from that date.
6	Long Leave	The NRC will decide whether the Vested Options as on that date can be exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of long leave shall expire with effect from that date.
7	Arrangement, Amalgamation, Merger or de-merger	In the event that a Grantee is transferred pursuant to scheme of arrangement, amalgamation, merger or demerger or continued in the existing Company, prior to the Vesting or Exercise, the treatment of Options in such case shall be specified in such scheme of arrangement, amalgamation, merger or demerger provided that such treatment shall not be prejudicial to the interest of the Grantee.	

25 Miscellaneous:

25.1 In order to exercise the Options of the deceased Grantee, the Legal Heirs / Nominee have to submit the following documents to the Committee and the Committee may at its discretion waive off the requirement to submit any of the documents:

A. In case nominee is not appointed:

- a. Copy of the succession certificate / probate of will / letter of administration.
- b. No objection certificate from the other legal heirs.
- c. Photo copy of the death certificate duly attested by the proper authority (English translated version if in the vernacular language)
- d. Specimen signature of the person(s) in whose name Shares are to be transmitted (duly attested by the bank)
- e. Copy of PAN card of the legal heirs .(self – attested).
- f. Copy of address proof (self – attested)
- g. Copy of Client Master Report of the Demat Account of the Legal heir.
- h. Any other documents as may be required on case to case basis.

B. In case nominee is appointed:

- a. Photo copy of the death certificate duly attested by the proper authority (English translated version if in the vernacular language)

- b. Specimen signature of the person(s) in whose name Shares are to be transmitted (duly attested by the bank)
- c. Copy of PAN card of the nominee (self – attested).
- d. Copy of address proof (self – attested)
- e. Copy of Client Master Report of the Demat Account of the Nominee.
- f. Any other documents as may be required on case to case basis.

- 25.2** In the event that a Grantee is transferred pursuant to scheme of arrangement, amalgamation, merger or demerger or continued in the existing Company, prior to the vesting or exercise, the treatment of options in such case shall be specified in such scheme of arrangement, amalgamation, merger or demerger provided that such treatment shall not be prejudicial to the interest of the Grantee.
- 25.3** All vested options that are not exercised before the expiry of the exercise period will stand lapsed and would be freely available for being granted in future to any employee or employees as may be decided by the Nomination and Remuneration Committee.
- 25.4** The Committee may modify the terms for cessation of employment as mentioned in SI No. 24.
- 25.5** Neither the existence of this Scheme 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 has or will in future have any such right entitlement or expectation to participate in this Scheme by being granted an employee stock option on any other occasion.
- 25.6** 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 compensation or damages in consequence of the loss or termination of his office or employment with the Company for any reason whatsoever.
- 25.7** The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an employee stock option in whole or in part in consequence of the loss or termination of his office or employment with the Company for any reason whatsoever.
- 25.8** This Scheme constitutes the entire document in relation to its subject matter. In the event that any term, condition or provision of this Scheme being held to be a violation of or contrary to, any applicable law, statute or regulation the same shall be severable from the rest of this Scheme and shall be of no force and effect and this Scheme shall remain in full force and effect as if such term, condition or provision had not been contained in this Scheme from the date of it turning or being rendered unenforceable.

--End of the Scheme--