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## EMPLOYEE STOCK OPTION PLAN 20\_\_

### 1. Short title, extent and commencement:

- 1.1 This employee stock option plan may be called as the “**ESOP Plan**”.
- 1.2 The ESOP Plan applies only to the bonafide Employees (defined below) of \_\_\_\_\_ (the “**Company**”).

### 2. Objectives of ESOP Plan:

- 2.1 The purpose of this ESOP Plan is to –
  - 2.1.1 facilitate the Employees of the Company, through stock ownership, to acquire greater proprietary stake in success and growth of the Company;
  - 2.1.2 encourage Employees to continue contributing to the success and growth of the Company;
  - 2.1.3 reward Employees for their unusual contribution to the Company;
  - 2.1.4 provide additional deferred reward to Employees; and
  - 2.1.5 compensate Directors for their contribution to the growth of the Company.

### 3. Definitions:

In this ESOP Plan, unless the context otherwise requires,

- 3.1 “**Applicable Law**” includes all statutes, enactments, acts of legislature or parliament, ordinances, rules, bye-laws, regulations, notifications, guidelines, policies, directions, directives and orders of any government, statutory authority, tribunal, board, court or recognized stock exchange(s) on which the shares of the Company may be listed;

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- 3.2** “**Board**” means the Board of Directors for the time being of the Company;
- 3.3** “**Director**” means a director of the Board;
- 3.4** “**Disability**” means “Permanent Total Disability” as defined in the Workmen’s Compensation Act, 1923;
- 3.5** “**Employee**” means a permanent employee {who has completed tenure of at least 3 years (at the discretion of Board) with ABC Private Limited} of the company who has been working in India or outside India and who may qualify for issue of Options under the ESOP Plan and fulfill the minimum conditions of service and other conditions as decided in the evaluation process; and will include new employees joining the Company.
- 3.6** “**Exercise**” means making of an application by the Optionee to the Company for issue of Shares against Options vested in him in pursuance of the ESOP Plan.
- 3.7** “**Exercise Period**” means the period after vesting within which the Optionee should Exercise his/her right to apply for the Shares against the Options vested in him/her in pursuance of the ESOP Plan. Exercise period for this ESOP scheme is to be varied for lots of shares which at the discretion of board may vary.
- 3.8** “**Exercise Price**” means the price payable by the Optionee for Exercising the Option granted to him/her under the ESOP Plan as may be determined by the Board. **Here recommendation is Rs. 10 i.e the face value of the equity shares of the company subject to any change that board may deem fit.**

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- 3.9 “Fully Diluted Basis”** means a calculation assuming that all dilution instruments, including any options issued or reserved for issuance under the ESOP Plan of the Company, existing at the time of determination have been exercised or converted into equity shares of the Company, and taking into consideration the effect of any anti-dilution protection offered to any shareholder or a third party.
- 3.10 “Grant”** means issue of the Options to Employees to purchase the Shares of the Company under the ESOP Plan. In this scheme 200 options per employee is proposed as per the discretion of board.
- 3.11 “Grant Date”** means the date fixed by the Company to be the date on which the Option under the ESOP Plan is extended to any Employee. The date would be specified in the Offer Letter issued to the Employee. **This date is to be prescribed by board of director which shall not be later than 31<sup>st</sup> March 20\_\_.**
- 3.12 “Nominee”** means the spouse, any child of the Employee or any other person nominated by the Employee as provided hereinafter.
- 3.13 “Option”** means a stock option granted pursuant to the ESOP Plan, comprising of a right but not an obligation granted to an Employee under the ESOP Plan to apply for and be allotted Shares of the Company at a pre-determined Exercise Price, during or within the Exercise Period subject to the requirements of Vesting.
- 3.14 “Optionee”** means the holder of an outstanding Option granted to the Employee pursuant to the ESOP Plan.
- 3.15 “Shares”** shall mean Shares in the Share Capital, whether equity or preference;

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- 3.16 “Share Capital”** means the issued, subscribed and paid-up share capital of the Company;
- 3.17 “Offer Letter”** means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option Grant. The Offer Letter will be subject to the terms and conditions of the ESOP Plan.
- 3.18 “Vesting”** means the process by which the Optionee is given the right to apply for Shares of the Company against the Options granted to him in pursuance of the ESOP Plan.
- 3.19 “Vesting Period”** means the period elapsed between the date of Grant and the date of Vesting of the Option granted to the Employee. **(For the scheme it is recommended for 1 year from grant date i.e the minimum period required by Companies share capital and debentures rules,2014)**

**Note:** The words employed in the masculine gender shall include the feminine also.

**4. Quantum of equity Shares subject to the ESOP Plan:**

- 4.1** The maximum number of equity Shares which shall be subject to Options under the ESOP Plan will be restricted to 10% (**Ten percent**) of the total paid up equity Share Capital of the Company on a Fully Diluted Basis from time to time at the time of implementation of the ESOP Plan. However, subject to the provisions of the articles of association of the Company, the maximum number of equity Shares reserved for issuance pursuant to the ESOP Plan may be increased or decreased with the written consent of the Board.

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- 4.2** Each Option granted under this ESOP Plan shall entitle the holder thereof for one equity Share, of a face value of Rs. 10/- each of the Company on such terms and conditions as the Board may determine at the time of Grant which will be specified in the Offer Letter.
- 4.3** The Company during the term of this ESOP Plan, shall all times reserve and keep available such number of equity Shares as part of its authorized Share Capital as shall be sufficient to satisfy the requirements of the ESOP Plan.
- 4.4** If an Option expires or becomes un-exercisable without having been exercised in full, the un-purchased equity Shares, which were subject thereto, shall become available for future Grant or sale under the ESOP Plan (unless the ESOP Plan has been terminated). However, equity Shares that have actually been issued under the ESOP Plan upon exercise of an Option shall not be returned to the ESOP Plan and shall not become available for future distribution under the ESOP Plan.
- 4.5** Where equity Shares are issued consequent upon Exercise of an Option under the Plan, the maximum number of equity Shares that are subject to Option referred to in Section 4.1 above shall stand reduced to the extent of such equity Shares issued.

**5. Administration of the ESOP Plan:**

- 5.1** The Board shall administer, and supervise the implementation of the ESOP Plan.
- 5.2** Subject to the provisions of the ESOP Plan, and subject to the approval of the relevant authorities, the Board shall –
- 5.2.1** determine the Exercise Price; (**viz. is Rs. 10/-**)

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- 5.2.2** select and recommend Employees for Grant of Options;  
**(Permanent employees with more than 3 years of tenure)**
  - 5.2.3** determine the quantum of Options to be granted to the Employees;  
**(viz. is 200 options per employee subject to change as may deem fit by Board)**
  - 5.2.4** determine the Vesting Period and the Exercise Period; **(1 year i.e minimum period required by the law enforceable)**
  - 5.2.5** prescribe, amend and rescind rules and regulations relating to the ESOP Plan;
  - 5.2.6** construe and interpret the terms of the ESOP Plan and Options granted relating to the ESOP Plan and such determination shall be final and binding upon all persons having an interest in the ESOP Plan and Options;
  - 5.2.7** determine the procedure for making a fair and reasonable adjustment to the number of Options to the Exercise Price in case of corporate actions;
  - 5.2.8** Grant, Vest and Exercise of Option in case of Employees who are on long leave;
  - 5.2.9** determine the procedure for cashless Exercise of options;
  - 5.2.10** frame any other byelaws, rules or procedures as it may deem fit for administering the ESOP Plan;
  - 5.2.11** approve forms, writings and / or agreements for use in pursuance of the ESOP Plan;
  - 5.2.12** frame suitable policies and systems to ensure that there is no violation of the Applicable Laws.
- 5.3** No member of the Board shall be personally liable for any decision or action taken in good faith with respect to the ESOP Plan.

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**5.4** All decisions, determinations and interpretations of the Board shall be final and binding on all concerned.

**6. Eligibility Criteria**

**6.1** The Board reserves the right to offer Options to Employees subject to the appraisal process as provided in Section 6.2 below.

**6.2** The appraisal process for determining the Employees to whom the Option shall be granted/offered will be specified by the Board, from time to time, and will be based on criteria such as the seniority of the Employee, length of the service, performance record, merit of the Employee, future potential contribution by the Employee and/or any such other criteria that may be determined by the Board at its sole discretion.

**7. Terms of ESOP Plan and Option:**

**7.1** The ESOP Plan shall be effective upon its adoption by the Board. It shall continue in effect for a **term of minimum 1 year** unless all the Options granted under the ESOP Plan are exercised or have been extinguished or unless the ESOP Plan is terminated under Section 16 of the ESOP Plan.

**7.2** The term of each Option shall be stated in the Offer Letter provided, however, that the term shall **be not more than 6 months to 1 year from the date of first Vesting thereof for each lot of shares.**

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**8. Grant of Options:**

**8.1** The Board may, on such date as it shall determine, grant to such Employees as it may in its absolute discretion select Options of the Company on such terms and conditions and for the consideration as it may decide. The details of the Options granted will be communicated through the Offer Letter.

**8.2** The Employee to whom an Option is granted shall communicate his acceptance of the Option within 30 days from the date of the Grant or such other period as may be decided by the Board.

**9. Rights of an Optionee:**

**9.1** Unless and until the Options have been exercised and/or equity Shares transferred/allotted to the name of the Optionee in accordance with the Applicable Laws, the Optionee or his nominee shall not have any rights whatsoever as a shareholder including rights for receipt of dividend and/or for voting with respect to Options granted.

**9.2** Neither the ESOP Plan, nor any Option shall confer upon any Optionee any right with respect to continuing the Optionee's relationship as an employee, advisor, consultant, director, officer or promoter with the Company, nor shall it interfere in any way with his right or the Company's right to terminate such relationship at any time, for any reason whatsoever.

**10. Vesting Periods of Options:**

**10.1** The Board shall have the freedom to specify a lock-in period for the equity Shares issued pursuant to the Exercise of Option. Such lock-in period, if any, may be specified in the Offer Letter.

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**10.2** The maximum Vesting Period of an Option shall not be more than a period of 24 months from the date of Grant of the Option. Subject to the maximum vesting periods of an Option referred to above, the Board shall have the sole discretion to decide upon the vesting periods in respect of any Optionee or any category of Optionee. The Vesting may occur in tranches, subject to the terms and conditions of Vesting as may be stipulated by the Board in its discretion.

**11. Option Exercise Price and Consideration:**

**11.1** The consideration payable by an Optionee for exercising an Option would be the Exercise Price.

**11.2** The consideration to be paid for the equity Shares to be issued upon the exercise of an Option, including the method of payment shall be determined by the Board at the time of Grant.

**11.3** Subject to Applicable Law, the Company may make available a bridge loan to assist the Employee to pay up and exercise the vested Options. This loan shall be subject to the terms and conditions as the Company may stipulate at the time of grant of loan.

**11.4** Under the cashless system of Exercise, the Company may itself fund the payment of Exercise Price which shall be adjusted against the sale proceeds of some or all the equity Shares **or from the remuneration payable to employee**, subject to the Applicable Laws.

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**12. Methodology of Exercise of Options:**

**12.1** Procedure for Exercise of Options:

**12.1.1** An Option granted hereunder shall be exercisable according to the terms hereof at such times and under such conditions as determined by the Board and set forth in the Offer Letter sent to the Employee.

**12.1.2** The Option shall be deemed to be exercised when the Company receives:

- (i) Written or electronic notice of Exercise (in accordance with the Offer Letter) from the person entitled to Exercise the Option; and
- (ii) Full payment for the equity Shares with respect to which the Option is exercised.

**12.1.3** Options can be exercised in part or whole. The unexercised portion of the Option will continue to be available to the Optionee or the nominee, for exercise, in case of specified circumstances such as death, disability etc., upto such time as provided for in the Offer Letter.

**12.2** Exercise of Options in the case of separation of an Employee from the Company:

**12.2.1** **In the event of separation of an Employee from the company due to reasons of Disability** of the Optionee while in employment all the unvested Options Will Vest immediately. However, the Exercise Period will remain the same as indicated in the Offer Letter.

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- 12.2.2 In the event of death of an Employee** while in employment with the Company, the Options granted, both Vested and unvested may be exercised by the Optionee's nominee/ legal heir immediately after such death but in no event later than one (1) year from the date of the Optionee's death.
- 12.2.3 In the event of termination** of employment for reasons of misconduct, all Options including those, which are vested but unexercised at the time of termination of employment, shall expire and stand terminated with effect from the date of such termination.
- 12.2.4** In the event of separation of employment for reasons other than Death/Disability or for misconduct, all Options, which are not vested on the date of separation, shall expire and stand terminated with effect from the date of such separation. However, all Options vested as on the date of separation may be exercised by the Employee immediately but not later than 30 days from the date of separation of employment.
- 12.2.5** Abandonment of service without the consent shall be deemed to be termination of employment for misconduct. The date of abandonment of an Employee shall be decided by the Board at its sole discretion which decision shall be binding on all concerned. In the event of abandonment of service by an Optionee without the Company's consent, all Options including those which are vested but were not exercised at the time of abandonment of service shall stand cancelled with immediate effect.

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**13. Rights as a Shareholder:**

- 13.1** Equity Shares issued on the Exercise of an Option shall be issued in the name of the Optionee.
- 13.2** The Company shall issue (or cause to be issued) such equity Shares promptly after the Option is exercised. No adjustments will be made for dividend or any other right for which the record date is prior to the date the equity Shares are issued.
- 13.3** All equity Shares allotted on Exercise of Options will rank *pari passu* with all other equity Shares of the Company for the time being in issue (save as regards any right attached to such equity Shares by reference to a record date prior to the date of allotment).

**14. Non transferability of Options:**

- 14.1** The Options granted under the ESOP Plan are not eligible to be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner without the prior written approval of the Board.

**15. Adjustments of number and Exercise Price of Option in certain cases:**

- 15.1** Capitalization by way of issue of bonus Shares: Subject to any required action by way of shareholders of the Company, all the Options including those which are vested but were not exercised and/or, as well as the price per equity Share covered by each such outstanding Option, shall be proportionately adjusted for any increase in the number of issued equity Shares resulting from issue of bonus Shares without the receipt of consideration by the Company.

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**15.2** Issue of rights Shares: Subject to any required action by the shareholders of the Company, all the Options including those which are vested but were not exercised and/or the price per equity Share covered by each such outstanding Option, shall be proportionately adjusted for any increase in the number of issued equity Shares resulting from the issue of rights Shares.

**15.3** Merger / Demerger: In the event of a merger of the Company with or into another company, or a Demerger, all the Options including those which are vested but were not exercised, and/or the price per equity Share covered by each such outstanding Option shall be proportionately adjusted to give effect to the merger or asset sale.

**16. Amendment and Termination of the ESOP Plan:**

**16.1** Subject to such approvals as may be required, the Board may at any time amend, alter, suspend or terminate the ESOP Plan.

**16.2** No amendments, alterations, suspension or termination of the ESOP Plan shall impair the existing rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Board, which agreement must be in writing and signed by the Optionee and the Company. Termination of the ESOP Plan shall not affect the Board's ability to exercise the powers granted to it hereunder with respect to Options granted under the ESOP Plan prior to the date of such termination.

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**17. Conditions upon issuance of equity Shares:**

**17.1** Equity Shares shall not be issued pursuant to the Exercise of an Option unless the Exercise of such Option and the issuance and delivery of such equity Shares shall comply with Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance.

**18. Inability to obtain authority:**

**18.1** The inability of the Company to obtain from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any equity Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such equity Shares as to which requisite authority shall not have been obtained.

**19. Unjust enrichment**

**19.1** In the event of any Optionee has paid any money to the Company under the ESOP Plan, and the Company is unable to allot equity Shares to such Employee due to inability to obtain authority or due to changes in any regulations or relevant guidelines, the Company shall promptly refund the money subject to such terms and conditions as the Board shall impose. However, the Company shall not be liable to pay any premium or loss of profits to any such Optionee.

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**20. General:**

- 20.1** The ESOP Plan shall not form part of any contract of employment / service between the Company and the Employee. The rights and obligations of any individual under the terms of his office or employment with the Company shall not be affected by his participation in this ESOP Plan or any right which he may have to participate in it and nothing in this ESOP Plan 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.
- 20.2** The ESOP Plan shall not confirm on any person any legal or equitable rights (other than that to which he would be entitled as an ordinary member of the Company) against the Company either directly or indirectly or give rise to any cause of action in law or in equity against the Company.
- 20.3** Participation in the ESOP Plan shall not be construed as any guarantee of return on equity investment. Any loss due to fluctuations in the market price or fair value of the equity and the risks associated with the investments are that of the Optionee alone.
- 20.4** This ESOP Plan is entirely at the discretion of the Board of the Company.

**21. Tax Liability:**

- 21.1** The tax treatment on the equity Shares allotted under the ESOP Plan shall be as per the Income Tax Act, 1961 as amended from time to time.

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- 21.2** In the event of any tax liability arising out on account of the issue of Options and/or allotment of the equity Shares to the Optionee, the liability shall be that of the Optionee alone. The Employee shall not indemnify the Company against any tax or other liabilities.
- 21.3** All tax liabilities arising on disposal of the equity Shares after Exercise would require to be handled by the Optionee.
- 21.4** In the event of any tax liability arising out on account of the ESOP Plan, the Company shall have the right to cause the equity Shares held by the Optionee under the ESOP Plan to be sold or otherwise alienated to meet the liability, on behalf of the Optionee.