



Policy on Employee Stock Options (ESOPs) Policy 2015-16 – PNB Housing Finance Ltd

1. Introduction

Stock Option Plans/Equity Incentive Plans (commonly referred to as ESOPs) are one of the most important tools to attract, motivate and retain Employees. Overall ESOPs provides workforce an ownership interest in the Company. It is a kind of deferred Employee compensation, which form part of employee remuneration and generally vest over a period of time in order to give a long term incentive to employees. Nowadays, these plans are being increasingly used as a compensation tool by organizations with the basic premise of creating attractive compensation option for the employees, on one hand and motivating employees to have long-term career aspirations with the Organization.

2. How do ESOPs Work?

- a) ESOPs give employees the right to purchase /subscribe to shares of the Company at a specified exercise price.
- b) Option granted under the plan confers a right but not an obligation on the employee.
- c) Options are subject to vesting, requiring continued service over a period of time and may be forfeited under certain conditions.
- d) Upon vesting employees can exercise the options to get shares, by paying the predetermined exercise price.

3. Distinct Advantages of Introducing ESOPs

- a) Helps attract, reward and motivate talent as a compensation differentiator.
- b) Promote employees' ownership culture.
- c) Acts as a tool for retention of talent.
- d) Creates entrepreneurial spirit and aligns interests of different stake holders.
- e) By giving ESOPs, the employer can reward the employees without any financial outflow from the company.
- f) ESOPs bring new capital to the Company and provide better accounting benefits than existing Long Term Incentive Plan (LTIP)
- g) ESOPs provide rewards for employees from the value that they have created for shareholders.

4. Available Restructuring Modes Under Stock Options

- a) Employee Stock Option Scheme (ESOS)
- b) Employee Stock Purchase Plan (ESPP)
- c) Restricted Stock Units (RSUs)
- d) Stock Appreciation Rights (SARs)
- e) Phantom Stocks

5. Proposal for PNB HFL ESOP SCHEME

PNBHFL is proposing to offer, Employee Stock Option Plan to their Employees, wherein the company issues fresh equity shares to the employees. The broad policy features are as under:

- a) There will be no shareholder dilution until initial public offering (IPO) of the Company. Therefore no option will vest before IPO under any circumstances (except solely in the case of death or permanent incapacity, dealt with in detail hereinafter).
- b) All grants to existing and new employees will be approved by Nomination and Remuneration Committee (NRC).
- c) The ESOPs will be granted under two plans vide Plan A and Plan B.
- d) The vesting of the grant under:

Plan A: for existing eligible employees, will be spread over four years, as per the vesting schedule set forth in detail hereinafter. The first vesting taking place upon the completion of 1 year from the date of the grant. In case the IPO of the Company is delayed beyond the first anniversary date of grant, the vesting date of the first tranche of 25% will coincide with the date of IPO and then continue in equal installments annually thereafter.

Plan B: for new/promotions/additional allocation for superior performing employees, will be spread over up to five years from the date of grant, as per the vesting schedule set forth in detail hereinafter.

The minimum vesting period shall be at least one year from the date of grant (with exception for death or permanent incapacity). Options shall vest in accordance with the schedule mentioned above within a maximum period of 4 years (except where due to death/permanent incapacity the vesting takes place prior to the IPO in which case the exercise period might be longer).

- e) Vested and unvested ESOPs would be forfeited in case employment is terminated due to cause (as defined in the applicable employment agreement(s) and which shall also include negligence, fraud professional misconduct, moral turpitude etc).

In the case of resignation or if employment is terminated for any reason other than cause, vested options may be exercised (within the prescribed time period for the same) and all unvested options shall lapse.

In the case of death or permanent incapacity (while in employment), the granted options shall vest on the date of death/permanent incapacity and shall be exercisable (in the case of death by relevant nominees/legal heirs) in the manner set out hereinafter.

- f) Any vested option which is not exercised by an employee within a period of three years from vesting (or a stipulated shorter vesting period not being lesser than one year) will automatically lapse.
- g) The Nomination and Remuneration Committee (NRC) may, at its discretion reallocate forfeited ESOPs to other or new employees within over all limits approved by the Board, at the then prevailing Fair Market Value.
- h) In case of any future rights issues, bonus and stock split the number of shares and/or exercise price will be adjusted accordingly at the discretion of the NRC.
- i) Options cannot be assigned, pledged, attached, hypothecated, sold or otherwise transferred or encumbered by the employee other than by will or by law of descent.
- j) ESOPs shall be subject to all applicable taxes and will be compliant with all applicable laws (including any amendment, modification and substitution from time to time).

- k) The NRC may, at its discretion, come out with Employee Stock Incentive Schemes, from time to time, subject to receipt of requisite approvals.

6. Applicability of Laws on the Policy

Every law relating to Employee Stock Options in force, including, without limitation to, Companies Act, 2013, Securities and Exchange Board of India Act, 1992, the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (hereinafter referred as SEBI Regulations), Listing Agreement to be entered with the Stock Exchange(s) where the securities of the Company are proposed to be listed and all relevant revenue, tax, securities or exchange control regulations or corporate laws of India or any relevant jurisdiction. The Applicable Law includes any provision of the applicable law, rules, regulations, notifications, circular(s) or any other similar form of directives issued by the competent authority under the relevant applicable law, including any amendment, modification and substitution from time to time.

7. Administration of ESOP Policy at PNB HFL

Subject to Applicable Laws, and the broad policy and the framework laid down by the Board of Directors, the scheme shall be administered by the Nomination and Remuneration Committee (NRC). The Committee is authorized to interpret the policy, to establish, amend and rescind any rules and regulations relating to the scheme and to make any other determinations that it deems necessary or desirable for the administration and implementation of the policy. The Board may correct any defect, omission or reconcile any inconsistency in the scheme in the manner and to the extent the Board deems necessary or desirable.

8. Steps Involved In Rolling Out of ESOP Policy to the Employees

- a) NRC considers and approves the structure of the ESOP policy and places before the Board of Directors for the Company for their approval.
- b) Board of Directors considers the structure of the ESOP Policy as proposed by the NRC and approves the ESOP Scheme to make it effective subject to the shareholders' approval in this regard.
- c) Shareholders' approve the ESOP Scheme and the said scheme will be deemed to be effective from the date of receipt of shareholders' approval. Grant of options after IPO of the Company shall be subject to approval of the shareholders.
- d) The management will recommend to the NRC the list of employees to whom the Options will be offered along with the number of the options to be offered.
- e) The NRC (taking into account the recommendations of the management but making its sole independent determination based on the relevant eligibility criteria laid down herein) grants the options to the employees along with the terms and conditions related to the vesting and exercise.
- f) The management will issue the grant letters to the Employees.
- g) The Employees accept the grant by signing an option acceptance agreement/ Grant letter. An Option grant that is not accepted in writing within 30 days of being offered will be deemed to be forfeited and the employee shall have no rights to the same. Provided that the NRC shall have the authority to extend this 30 day time period at its discretion, in light of the relevant reasons and circumstances for delay.
- h) Upon listing of the Company, the Company will take in principle approval from the Stock Exchange for the scheme and also have the scheme ratified by the shareholders in accordance with applicable law.
- i) Upon fulfillment of the relevant conditions the options get vested with the employees.

- j) Management informs the employee about the vesting of such options and the last date to exercise such options (which exercise period shall not be more than 3 years from the date of vesting).
- k) The employee exercises the options by submitting the exercise form along with the Cheque / Demand draft towards the payment of the exercise price and the perquisite tax payment.
- l) Upon receipt of the exercise Form the Board of Directors / Committee in its meeting shall allot the shares to the employees.
- m) The company credits the shares in the respective demat account of the employees.

9. Role And Powers Of Nomination And Remuneration Committee (NRC) With Respect to ESOP Policy/Scheme

- a) NRC may, at its discretion, come out with Employee Stock Incentive Schemes, from time to time, subject to receipt of requisite approvals.
- b) NRC shall determine the quantum of options to be granted under any Employee Stock Option Scheme (ESOS), both in aggregate (subject to the approval of the Board) and to any specific employee, subject to the approval of the Board.
- c) NRC shall formulate the detailed terms and conditions of the ESOPs, within the overall terms and policy approved by the Board.
- d) Adopt rules and regulations for implementing the scheme from time to time, within the overall terms and policy approved by the Board.
- e) Identification of classes of employees entitled to participate in the Scheme, within the overall terms and policy approved by the Board.
- f) Grant Options to the identified eligible employee and determine the grant date, within the overall terms and policy approved by the Board.
- g) The vesting schedule of the grant made to the employee within the limits as prescribed in the scheme.
- h) To decide upon the right of an employee to exercise all the options vested in him at one time or at various points of time within the exercise period.
- i) The procedure for making a fair and reasonable adjustment to the entitlement including adjustment 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.
- j) Determine the number of Options to be Granted to each Grantee and in aggregate subject to the ceiling under the Scheme.
- k) Determine the method for exercising the Vested Options, period of Exercise, etc.
- l) Determine the terms and conditions, not inconsistent with the terms of the scheme, of any Option Granted hereunder.
- m) Grant, vesting and exercise of options in case of employees who are on long leave;
- n) Approve forms or agreements for use under the scheme.
- o) Decide all other matters that must be determined in connection with an Option under the scheme in accordance with SEBI Guidelines, within the overall terms and policy approved by the Board.
- p) Construe and interpret the terms of the scheme, and the Options Granted pursuant to the scheme, within the overall terms and policy approved by the Board.

- q) The NRC shall, through the processes put in place by the Company in this regard ensure that there should be no violation of applicable Securities law.

10. Eligibility of the Employee Under the Policy And the Appraisal Process Thereof

a) Eligibility of an Employee

- (i) Employees who are presently working at level of Senior Manager-1 and above and Managing Director will be eligible for grant under PNBHFL ESOP Scheme 2016.
- (ii) New joiners in the grade of Senior Manager – I & above will qualify for this plan provided they are permanent employees of the company.

b) Appraisal Criteria for the Employee

While deciding the Quantum of the Stock options to be given to the Eligible Employees the Nomination and Remuneration Committee will consider the following parameters:-

- (i) Tenure.
- (ii) Performance: Employee's performance during the previous three financial years on the basis of the parameters decided by the management;
- (iii) Grade: Employee's HR grade as per the HR Policy of the Company;
- (iv) The present and potential contribution of the employee to the success of the Company;
- (v) High market value/difficulty in replacing the employee; and
- (vi) High risk of losing the employee to competition;
- (vii) Value addition by the new entrant if any.

On the basis of above parameters, the management will recommend to NRC, the specific evaluation criteria for determination of eligibility, which once approved by NRC, will be placed in the meeting of Board of Directors for their information. The NRC shall have power to increase or reduce the options on case to case basis considering the merits of the each case.

11. Exercise Price of the Options

The options will be granted to the employees at a price which the employees will pay when they exercise their right to convert the options into Equity Shares. The Exercise price will be decided by the Nomination and Remuneration Committee based upon the Fair Market Value of the Company. The fair market value of the Company is defined as follows:-

- a) Grant Before IPO : Exercise price of each ESOP will be the Fair Market Value of each share on the date of the ESOP grant as approved by the NRC based on independent valuation report, and any applicable regulatory requirements
- b) Once the Company gets listed, Exercise price of each ESOP will be the Fair Market Value of each share on the date of the ESOP grant as approved by the NRC. Fair market value of the company will be the market price of the shares of the company on the stock exchange where the shares of the company get listed, immediately prior to the date of the meeting of the Committee wherein the grant will be made. If the Company gets listed on more than one Stock Exchange, then the price of the Stock Exchange where there is highest trading volume during the aforesaid period shall be considered.
- c) Nomination and Remuneration Committee at its sole discretion may provide a premium on the price as arrived above.
- d) The consideration to be paid for the Shares to be issued upon Exercise of options, including the method of payment, shall be determined by the Nomination and

Remuneration Committee. Such consideration may consist of (i) cheques or demand draft payable at the registered office of the Company by or on behalf of the optionee; (ii) any other mechanism to enable identified employees to raise finance to pay the Exercise Price in accordance with applicable laws, and not being from the Company; or (iii) any combination of the foregoing methods of payment, provided that any such mechanism at the relevant point is allowed under the applicable laws.

12. Pool of the Employee Stock Option Under the Policy

The maximum number of Options that may be issued pursuant to the Policy shall not exceed 41,88,459 (face value of INR 10/- each) in number which will be convertible into equal number of Equity Shares i.e., number of shares in this Policy shall not exceed 41,88,459 Equity Shares of the Company constituting 3.3% of the total share capital of the Company as on 31st March, 2016.

The entire pool will be again categorized in the following manner:-

- a) 38,07,690 Equity Shares constituting about 3% of the total Share Capital of the company as on 31st March, 2016 will be for the current employees as on the date of the institution of the Scheme.
- b) 3,80,769 Equity Shares constituting about 0.3% of the total Share Capital of the Company as on 31st March, 2016 will be for the new hires / promotions/ additional allocation for superior performing staff at the discretion of the Nomination and Remuneration Committee.

If any Option granted under the ESOP Scheme 2016 lapses or forfeited or surrendered under any provision of the Scheme, such Option shall be available for further grant under the Scheme at the prevalent fair market value as on the date of the grant.

13. Terms of The Policy

a) Grant of Stock Options

Nomination and Remuneration Committee will grant Stock Options to the employees on predetermined eligibility criteria. The grant of an Option to an Employee under this Scheme shall entitle the holder of the Option to apply for one Share in the Company upon payment of a price.

The maximum number of Options that can be granted to any eligible employee during any one-year shall not equal or exceed 1% of the issued capital of the Company at the time of the grant of Options, except subject to the separate approval of the shareholders in a general meeting.

b) Acceptance of options

Employee shall accept the offer / grant within 30 days from the date of receipt of the Grant Letter by signing an Option acceptance agreement. Employee is not required to pay any amount towards the Exercise price on acceptance of the offer.

If written acceptance from the employee is not received within aforesaid time, it shall be treated as a rejection of offer and the Company shall not be liable to pay any amount on such rejection and the employee shall have no further rights in relation to such Option. Provided that the NRC shall have the authority to extend this 30 day time period at its discretion, in light of the relevant reasons and circumstances for delay.

c) Vesting of Options

The grant made duly accepted by the employee, shall conclude a contract between the Employee and the company, pursuant to which each option shall, on such grant, be an unvested Option.

The vesting period shall never be less than the minimum vesting period of 1 year (except for the exception of death/permanent incapacity).

The vesting conditions will be such as are specified in the vesting schedule set for each option holder and the conditions subject to which vesting shall take place may be outlined in the Grant Letter.

An employee can exercise the vested options within the exercise period. Such exercise may be of all vested options or part of the vested options in one or more tranches.

The exercise period shall commence from the date of vesting which will in any case not be lesser than 3 years from the date of grant.

Further, the Nomination and Remuneration Committee also has the power to accelerate the vesting of the grants if it feels the same is beneficial to the interest of the Company.

The entire vesting schedule in the scheme will be further divided into 2 plans as specified herein:-

PLAN A

(38,07,690 Equity Shares constituting about 3% of the total Share Capital of the company as on 31st March 2016 will be for the current employees as on the date of the institution of the Scheme.)

For the first Grant to the Current Employees at the date of the institution of the ESOP Scheme 2016

Time Period	Options Vested
1 year from the date of the Grant	25% of the options granted
Subject to termination clause, after completion of 2 year from the date of the Grant	25% of the options granted
Subject to termination clause, after completion of 3 years from the date of the Grant	25% of the options granted
Subject to termination clause, after completion of 4 years from the date of the Grant	25% of the options granted

PLAN B

(3,80,769 Equity Shares constituting about 0.3% of the total Share Capital of the Company as on 31st March 2016 will be for the new hires / promotions/ additional allocation for superior performing staff at the discretion of the Nomination and Remuneration Committee.)

Time Period	Options Vested
After 1 year from the date of the grant	20% of the options granted
After 2 years from the date of the grant	20% of the options granted
After 3 years from the date of the grant	20% of the options granted
After 4 years from the date of the grant	20% of the options granted
After 5 years from the date of the grant	20% of the options granted

Under Plan B

The vesting of options hereunder shall be evidenced by the vesting confirmation which shall be communicated to the option holder. Such communication shall be in writing or notified through electronic mail or through the corporate intranet and shall specify the number of options vested and the terms and conditions of the vesting and rules applicable thereto.

Unless the Nomination and Remuneration Committee provides otherwise, the vesting of options granted hereunder shall be stalled/blocked during any unauthorized and unpaid leave of absence and suspension of the employee for such period as may be determined by the Committee or for any Cause as deemed fit by the Nomination and Remuneration Committee and the decision of the Nomination and Remuneration Committee in this regard shall be final and binding on the employee(s).

Further Nomination and Remuneration Committee also has the power to accelerate the vesting of the grants if it feels the same is beneficial to the interest of the company. However the vesting period cannot go below the minimum period of 1 year from the date of grant.

d) Exercise of Options

The employee shall exercise his vested options within 3 (three) years from the date of vesting of the respective options.

The options shall be deemed to have been exercised only when the Company receives:

- (i) a written or electronic notice of Exercise from the optionee, in such form as may be prescribed; and
- (ii) the full payment towards the Exercise Price, in respect of Shares. The company may withhold due taxes and/ or levy and/ or contribution and/ or payment in full have been recovered under the relevant tax laws, for the time being in force.

The options can be exercised only upon full payment of the exercise price by the Optionee.

The vested options not duly exercised within the Exercise period shall lapse. Lapsed options shall be added back to the pool of ungranted options and shall be available for fresh grants at the prevalent fair market value.

However, no fraction of a vested Option shall be exercisable.

e) Allotment of Equity Shares

The Board of Directors or Committee thereof shall make allotments on suitable intervals, as deemed fit.

Upon allotment of the shares, the employee shall become member/shareholder of the Company. The Shares to be allotted shall rank pari-passu in all respects within the then existing Equity Shares of the Company.

f) Exit Opportunity to Employees

If the employees want to sell the exercised shares, they can do so by selling them at the Stock Exchanges.

(i) Treatment of Options in the Event of cessation of Employment of the Employees

In cases of cessation of Employment of the Employee from the Company, the treatment of the vested options and unvested options will be dealt as per the table below:-

EVENT	VESTED OPTIONS	UNVESTED OPTIONS	TIME PERIOD FOR EXERCISE
Death (while in employment)	Can be exercised by the nominees/legal heirs, on submission of requisite proof within the specified period.	Shall vest in the nominees/legal heirs, on submission of requisite proof within the specified period.	<u>Vested Options</u>: 6 months from the date of death or before expiry of exercise period as per the scheme (whichever is lesser). <u>Unvested Options</u>: Shall vest immediately but shall be exercisable only during the exercise period as per the scheme. In the event that an IPO of the company has not occurred on or before death the relevant nominee/legal heir employee shall have the right to either continue to hold the Option or cash out the same at the then prevailing Fair Market Value as determined by the NRC. It being clarified that any exercise prior to the IPO shall only be against cash and exercise after the IPO shall only be against shares.
Permanent Incapacity (while in employment)	Can be exercised within the specified period.	Shall vest immediately on date of Permanent Incapacity and can be exercised within the specified period.	<u>Vested Options</u>: 6 months from the date of Permanent Incapacity or before expiry of exercise period as per the scheme (whichever is lesser). <u>Unvested Options</u>: Shall vest immediately but shall be exercisable only during the exercise period as per the scheme. In the event that an IPO of the company does not occur on or before the date of permanent incapacity the relevant employee shall have the right to either continue to hold the Option or cash out the same at the then prevailing Fair Market Value as determined by the NRC. It being clarified that any exercise prior to the IPO shall only be against cash and exercise after the

			IPO shall only be against shares.
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Superannuation/ Retirement	Exercise within specified period.	<u>Superannuation/ Retirement before IPO:</u> Vesting on IPO or completion of 1 year from the date of grant, whichever is later. <u>Superannuation/ Retirement after IPO:</u> Vesting on date of superannuation/ retirement/ or completion of 1 year after grant, whichever is later. Unvested options granted to the employee would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the ESOP Scheme.	<u>Vested Options and Unvested Options in case of superannuation/retirement post IPO (which will therefore vest on date of retirement/superannuation):</u> Unvested options granted to the employee would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the ESOP Scheme.* 6 months from the date of superannuation/ retirement or before expiry of exercise period as per the scheme (whichever is lesser). <u>Unvested Options in case of retirement pre-IPO (which will vest on IPO):</u> 6 months from the date of IPO. In the event that an IPO of the company does not occur on or before the date of superannuation/ resignation the relevant employee shall have the right to either continue to hold the Option or cash out the same at the then
Long leave	Shall be treated as per the discretion of NRC.	Shall be treated as per the discretion of NRC.	As determined by the NRC.
Termination with cause	Shall lapse.	Shall lapse.	-
Termination other than for Cause or Resignation	Can be exercised.	Shall lapse.	Within no later than 15 days after the date of termination/resignation so long as an employee on the date of exercise. It being clarified that any exercise prior to the IPO shall only be against cash and exercise after the IPO shall only be against shares.

Abandonment	Shall lapse.	Shall lapse.	-
Dispute cases / Suspension cases	Exercise will be put on hold till the date of settlement.		

(ii) Treatment of the Options at the time of Corporate Action in the Company

Corporate Action	Treatment
Reconstitution / amalgamation / sell-off or otherwise	Shall be treated as per the adjustments to be made and recommended by the Nomination and Remuneration Committee at the time of such action. Nomination and Remuneration Committee also has a power to decide for the treatment of the options (whether vested or not) of the Optionees who continue in the Employment of the company after such action.
In case of reverse merger	The options vested till the date of happening of this event shall be exercised by the employee within such time period as may be informed by the Nomination and Remuneration Committee at the time of the event. With regard to the unvested options, the new management shall take the decision which shall be final and binding.
Bonus / Stock split / Rights Issue	The number and price of the unexercised options shall be adjusted in a manner such that total value to the employee of the options remains the same after the corporate action. In case of a bonus issue on non-exercised options bonus will rank pari-passu with the bonus issue for ordinary shareholders.

14. Accounting of Stock Options in the Company Books of Accounts

- a) The Company shall comply with the disclosure and accounting policies as prescribed by appropriate authority from time to time. Presently it is to be done as per ICAI Guidance Note 18 (The Accounting note on the Share based employee benefit). The Company shall use intrinsic value method to value its Options.
- b) Compensation cost will be booked in the books of accounts of the company over a vesting period. Compensation cost will be the difference between the Exercise Price and the intrinsic value of the options.
- c) Since the Company would calculate the employee compensation cost using the intrinsic value of the Option, the difference between the employee's compensation cost so computed and the employee compensation cost that shall have been recognized, if it had used the fair value of the Options, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earning Per Share of the Company shall also be disclosed in the Directors Report.

15. Taxes Treatment in the hands of Employee

Employee has to bear the Taxation at two point of time:-

Point 1: On allotment of shares post exercise of the Options, the difference between the FMV of the Shares on the date of exercise and the Exercise price will be added as a perquisite under salary in the month of Exercise or under any head prevalent as on the date of Exercise. The Employee will be subject to withholding at the applicable slab rates.

Point 2: At the time of sale of the shares of the company, the Employees may be subject to capital gain tax if not entitled to specific exemptions available under the Income-tax Act, 1961.

The Company, as applicable 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 or any other cess, levy, assessments and other governmental charges, duties, impositions and liabilities, by whatever name called including, without limitation, tax of Perquisite, leviable or whether directly or indirectly payable by the Company at the time of the grant or vesting or exercise or allotment of the options or the shares or at any point of time. The mode of payment of / recovery tax will be communicated and decided time to time by the Nomination and Remuneration Committee.

16. Responsibility of The Employee Under Policy

- a) The employee shall maintain the utmost confidentiality regarding the contents of the Scheme under which the benefits have been granted all times and shall not make any announcement to the public or to any third person regarding the arrangements contemplated by the Scheme and the benefits thereunder except to the extent as may be required by the applicable laws.
- b) The employee, if requested by the Nomination and Remuneration Committee, provide such assurances and representations to the Company, as the Nomination and Remuneration Committee may deem necessary or desirable to ensure compliance with all applicable legal requirements.
- c) An employee can Exercise the vested Options only subject to the adherence of Insider Trading Code of Conduct of the Company and other applicable law.

17. Miscellaneous Points Under Policy

- a) The options granted to an Employee shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.
- b) The Shares issued pursuant to the exercise of an Option will not be subject to any lock-in period.
- c) The Employee shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Option granted to him/her, till shares are issued on valid exercise of an Option.
- d) If the Exercise of Options within the Exercise Period is prevented by any law or regulation in force and the Employee is forbidden to exercise the Options under such law or regulation, then in such an event the Company shall not be liable to compensate the Employee in any manner.
- e) The Employees would be entitled to receive copies of all documents that are sent to the members of the Company. This shall include the annual accounts of the Company as well as notices of the meetings and the accompanying explanatory statements. However, the option grantee will not be entitled to attend and vote in the meeting until he becomes the shareholder of the company upon valid exercise of Option(s).
- f) In the event that an employee who was issued Shares under the Policy and/or the Scheme is no longer with the Company (for any reason) and within a period of [one] year thereafter solicits any employees of the Company, disparages the Company in any manner or makes any use of confidential information in relation to the Company, the Company shall have the right to recover profits made on such Shares calculated as the difference between the relevant Exercise Price re those Shares and the market price on the day of exercise.

18. Time Period of Policy

The Policy and the Scheme framed thereunder shall continue to be in force until (i) its termination by the Board of Directors or (ii) the date on which all of the Options available for issuance are exercised.

Further, the the Board/ Nomination and Remuneration Committee (“NRC”) to determine the vesting terms including vesting schedule and percentages on such terms and conditions including performance and time conditions as may be decided by the Board/Committee (NRC) of the Board in accordance with applicable laws and shall have power to modify the policy, as it may deem fit and appropriate, provided that such variation is not prejudicial to the interests of the Option holders, provided that the Board shall have the power to amend the policy to the extent required under applicable law.

19. Scope of the Policy

The scope of this policy is limited to the proposed ESOP Scheme: 2016 and the number of ESOPs to be granted referred hereunder. In case, if the Company plans to float a new ESOP Scheme over and above the ESOP Scheme: 2016 referred hereunder, a fresh ESOP Policy in this regards, will be made to cover the salient aspects of such ESOP Scheme.



PNB Housing Finance Ltd – ESOP Scheme 2016

PART A: STATEMENT OF RISKS

An investment in Equity Shares involves a high degree of risk. You should carefully consider all the information in this Scheme, including the risks and uncertainties described below, before making an investment in the Equity Shares. If our business, profitability and financial condition get affected, the price of our Equity Shares could decline, and you may lose all or part of your investment in the Equity Shares. Unless specified or quantified in the Scheme, we are not in a position to quantify the financial or other implication of any of the risks. ESOPs are subject to the following additional risks:

- 1. Concentration:** the risk arising out of any fall in value of shares is aggravated if the employee's holding is concentrated in the shares of a single company.
- 2. Leverage:** any change in the value of the share can lead to a significantly larger change in the value of the option as an option amounts to a leveraged position in the share.
- 3. Illiquidity:** the options cannot be transferred to anybody, and therefore employees cannot mitigate their risks by selling the whole or part of their options before they are exercised.
- 4. Vesting:** the options will lapse if the employment is terminated prior to vesting. Even after the options are vested, the unexercised options may be forfeited if the employee is terminated for gross misconduct.
- 5. Market Risk:** an employee can experience losses due to factors that affect the overall performance of the financial markets, such as temporary exchange closures, broker defaults, settlement delays and strikes by brokers, political turmoil, recessions, changes in interest rates and terrorist attacks.

PART B: INFORMATION ABOUT THE COMPANY

1. Business Profile of the Company:

PNB Housing Finance Limited (PNBHFL) is a registered housing finance company with National Housing Bank (NHB). It was incorporated under the Companies Act, 1956 and commenced its operations on November 11, 1988. PNBHFL is a subsidiary of Punjab National Bank (PNB), which holds 51% of share capital in the Company.

With over two and half decades of specialized experience in housing finance, PNBHFL has a robust network of branches spread across the country which help its customers avail financial services (loans and deposits) seamlessly.

PNBHFL provides housing loans to individuals and corporate bodies for construction, purchase, repair and upgradation of houses. It also provides loans for commercial space, loan against property and loan for purchase of residential plots.

2. Abridged Financial Information:

Abridged financial information of the company for the last five years will be attached along with the Grant Letters to be given to the employees at the time of grant of options to the Employee.

3. Risk Factors for the Company:

The Management of the Company has a perception that the following few risks or uncertainties may occur during the course of business such as:

- We are subject to various regulatory and legal requirements. Also, future regulatory changes may have a material adverse effect on our business, results of operations and financial condition.
- Increasing competition in the Indian housing finance industry and our inability to effectively compete with other organizations operating in the housing finance industry may result in slower growth which may result in decline in our profitability which may have a material adverse effect on our business, results of operations and financial condition.
- We may be impacted by volatility in interest rates which could cause our Gross Spreads to decline and consequently affect our profitability.
- Any increase in the levels of non-performing assets ("NPA") on our loan portfolio, for any reason whatsoever, would adversely affect our business, results of operations and financial condition.
- As a housing finance company we have exposure to Real Estate sector and any factor affecting this sector could adversely affect our business and result of operations.

Management Perception: *some of the risks are normal to the nature of industry in which the Company operates and some others are beyond the control of the Company.*

4. Continuing Disclosure Requirement:

The Option Grantee would be entitled to receive copies of all documents that are sent to the members of the Company. This shall include the annual accounts of the Company as well as notices of the meetings and the accompanying explanatory statements. However, the option grantee will not be entitled to attend and vote in the meeting.

PART C: SALIENT FEATURES OF THE COMPANY

(As amended vide Shareholders' special resolution dated July 26, 2022)

ARTICLE 1

TITLE AND EXTENT

This Scheme shall be called the **“PNBHFL Employees Stock Option Scheme 2016” or “PNBHFL ESOS 2016” or “Scheme”. It applies only to the eligible employees of the Company as defined under the scheme.**

The Scheme as originally envisaged has come into force on 22nd April 2016 on which the shareholders of the Company have approved it by way of a special resolution. The Scheme has been amended with a view to (i) align with the requirements of the SEBI Regulations vide Nomination and Remuneration Committee resolution dated June 03, 2022, and (ii) vary the Vesting terms by way of shareholders' approval through special resolution dated July 26, 2022.

ARTICLE 2

EFFECTIVE DATE AND SCHEME DURATION

- 2.1** The Scheme has been adopted by the Board of Directors on 19th March 2016 subject to the Special Resolution passed by the Members of the Company on 22nd April 2016 and shall be deemed to come into force with effect from 22nd April 2016 being the date of approval by the Members or any other later date as the Board may determine.
- 2.2** The Scheme shall continue to be in force until (i) its termination by the Board of Directors in accordance with Article 16 or (ii) the date on which all of the options available for issuance under the Scheme have been issued and exercised in terms of this Scheme, whichever is earlier. The decision of the Board in this regard shall be final provided the same is in compliance with Article 16 and applicable laws.

If any Option granted under the Scheme lapses or forfeited or surrendered under any provision of the Scheme, such Option shall be available for further grant under the Scheme. Further, grant under the scheme would be at prevalent market price.

Provided that in the event of termination of the Scheme by the Board, there shall not be any effect on the Options already vested and such Options shall remain in full force and effect as if the Scheme had not been terminated unless mutually agreed otherwise between the Optionee / and the Company.

Provided further Termination of the Scheme shall also not affect the ability of the Nomination and Remuneration Committee to exercise the powers granted to it hereunder under the Scheme prior to the date of such termination.

ARTICLE 3

OBJECTS

The objects of the PNBHFL ESOS 2016 are as follows:-

- 3.1** To provide means to enable the Company, to attract and retain appropriate human talent in the employment of the Company, respectively;
- 3.2** To motivate the Employees with incentives and reward opportunities to contribute to the growth and profitability of the company;
- 3.3** To achieve sustained growth of the Company/Employer Company and the creation of shareholder value by aligning the interests of the Eligible Employees with the long term interests of the Company/Employer Company; and
- 3.4** To create a sense of ownership and participation amongst the Employees of the Company in the years to come.
- 3.5** To reward the high performers in the organization.
- 3.6** To provide handsome incentives to the Employees, who helped the Organization to reach at the level where the organization is able to unlock its real value.

These objects are sought to be achieved through the PNBHFL ESOS 2016 to acquire the Shares of PNBHFL by its eligible employees.

ARTICLE 4

DEFINITIONS & INTERPRETATIONS

- I) Definitions:

In this instrument the following expressions including their grammatical variations and cognate expressions, shall unless, repugnant to the context or meaning thereof, have the meaning assigned to them respectively hereunder:-

- 4.1 “Acceptance Form”** shall mean the form that the Grantee has to submit indicating his acceptance of the offer made to him to participate in the Scheme.
- 4.2 “Abandonment”** means absence of an Employee from work without a reasonable excuse for an unreasonable period of time without having communicated to the employer any reason of absence.
- 4.3 “Applicable Law”** means every law relating to Employee Stock Options in force, including, without limitation to, Companies Act, 2013, Securities and Exchange Board of India Act, 1992, the SEBI Regulations, National Housing Bank Act, 1987, relevant provisions of the Guidelines No. DOR.GOV.REC.No.29/18.10.002/2022-23 dated April 29, 2022 issued by the Reserve Bank of India, , Listing Agreement to be entered with the Stock Exchange(s) where the securities of the Company are proposed to be listed and all relevant revenue, tax, securities or exchange control regulations or corporate laws of India. The Applicable Law includes any provision of the applicable law, rules, regulations, notifications, circular(s) or any other similar form of directives issued by the National Housing Board, Reserve Bank of India, to the extent applicable and the other competent authority or of any recognized stock exchange on which the Shares are listed or quoted under the relevant applicable law including any amendment, modification and substitution from time to time.
- 4.4 “Beneficiary”** means the participant, a person or persons who is / are entitled by the will of the Optionee to receive the benefits specified in the Scheme, the legal heirs of the Optionee if the optionee dies intestate and includes optionee's executors or administrators, if no other beneficiary is designated and able to act under the circumstances and such other persons as may be added from time to time to the class of beneficiaries by notice in writing.
- 4.5 “Board of Directors” or “Board”** means the Board of Directors for the time being of the Company or any Committee thereof or as may be reconstituted from time to time.
- 4.6 “Category of Employees”** means the employees (not being promoters) to be decided as per the sole discretion of the Nomination and Remuneration Committee of Company, [including the Executive / Whole-time Directors], who will be eligible for grant of options under the scheme.
- 4.7 “Change in Capital Structure”** means a change in the capital structure of the Company as a result of re-classification of Shares, sub-division of Shares, issue of bonus Shares, conversion of Shares into other shares or Securities of the Company

and any other change in the rights or obligations in respect of Shares, issue of shares on rights basis and any other form of equity share issuance.

- 4.8 “Clawback”** means a contractual agreement between the Option Grantee and the Company in which the Option Grantee is obligated to return all the Options vested and any benefit that is received by the Option Grantee under certain circumstances pertaining to any relevant /previous performance year(s) but may not be limited to the current performance year.
- 4.9 “Companies Act”** means the Companies Act, 2013 and rules made thereunder and includes any statutory modifications or re-enactments thereof.
- 4.10 “Company”** means **PNB Housing Finance Limited**, a company incorporated under the Companies Act, 1956 and having its registered office at 9th Floor, Antriksh Bhawan, 22 Kasturba Gandhi Marg, Near Connaught Place, New Delhi 110001 with CIN U65922DL1988PLC033856.
- 4.11 “Company Policies/Terms of Employment”** means the Company’s policies for employees and the terms of employment as contained in the Employment Letter and the Company’s policies in force from time to time, which include but are not restricted to provisions for securing Confidentiality and non-poaching of customers, as may be applicable.
- 4.12 “Corporate Action”** means one of the following events:
- (i) The merger, de-merger, spin-off, acquisition, consolidation, amalgamation, sale of business, dissolution or other reorganization of the Company in which the Shares are converted into or exchanged for:
 - a. A different class of Securities of the Company; 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 Company.
 - (iii) The adoption by the shareholders of the Company of a scheme of liquidation, dissolution or winding up.
 - (iv) Rights Issue and Bonus Issue.
 - (v) Split and Consolidation of the Share Capital.
 - (vi) Acquisition (other than acquisition pursuant to any other sub-clause of this clause) by any company, person, entity or group of a controlling stake in the Company. For this purpose ‘Controlling Stake’ shall mean more than 50% of the voting share capital of the Company.

- (vii) Any other event, which in the opinion of the Board has a material impact on the business of the Company.

4.13 “Director” means a member of the Board of the Company.

4.14 “Employee” means

- i. a permanent employee of the Company working in India or out of India; or
- ii. a director of the company, whether a whole time director or not; or
- iii. an employee as defined in (i) and (ii) above, of the holding/ subsidiary/ associate companies of the Company in India or out of India; but does not include:-
 - a) An employee who is a promoter or a person belonging to the Promoter Group;
 - b) Independent Director of the company;
 - c) A director who either himself or through his relative or through anybody corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the company.

4.15 “Eligible Options” means the total options for which an Optionee is eligible to be granted under the Scheme.

4.16 “Eligibility Criteria” means the criteria, as may be determined from time to time exclusively by the Nomination and Remuneration Committee based on internal ratings, performance and grade of an employee in the Career group for granting Employee Stock Options to the Employees.

4.17 “Exercise” in relation to an Option means, making an application by an Employee / Option Grantee to the Company for issue and/or transfer of Shares, against an Option vested by such Employee / Option Grantee in pursuance of the Scheme on payment of exercise price.

4.18 “Exercise Date” means the date on which the Optionee or option grantee exercises his right to apply for shares against the vested Options and in case of partial exercise, shall mean each date on which the Optionee or option grantee exercises his right to apply for part of his vested Options.

4.19 “Exercise Period” means the time period after vesting, within which an employee should exercise his right to apply for shares against the vested option in pursuance of the scheme.

4.20 “Exercise Price” means the price payable by the Option grantee for exercising the options granted to him and vested in him in pursuance to the Scheme covered under Part A of Chapter III of SEBI SBEB & SE Regulations. Under this Scheme, the Exercise Price will be informed to the Option grantee, by the Committee, through grant letter.

4.21 “Grant” means the process by which the Company issues options to the eligible employees under the plan and notified scheme.

4.22 "Grant Date" means the date of meeting on which the Options are granted to an Employee and approved by the Nomination and Remuneration Committee under the Scheme.

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

4.23 "Lapsed option" means

- (i) the unvested options that are forfeited by the company in accordance with the terms of the scheme; or
- (ii) Options which are vested but not Exercised by Optionee for any reason whatsoever, including termination of the employment or on expiry of window period for exercise in accordance with this scheme.

4.24 "Malus" means an arrangement which permits the Company to prevent Vesting of all or part of the Options of a deferred remuneration. Malus arrangement does not reverse Vesting after it has already occurred.

4.25 "Nomination and Remuneration Committee" means the Committee constituted by the Board of Directors from time to time comprising of such members of the Board as provided under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with under section 178 of the Companies Act, 2013 of PNB Housing Finance Limited for monitoring, administering, superintending and implementing the 'PNBHFL ESOS 2016'.

4.26 "Optionee" or "Option Grantee" means an Employee who has been granted Options under this Scheme and where the context requires shall include the guardian / nominee of an incapacitated / permanently disabled Employee, and the nominee/ beneficiary or legal heir / legal guardian of a deceased Employee.

4.27 "Option" means a right but not an obligation, granted to an Employee in pursuance of the Scheme to purchase or subscribe at a future date, the Shares of the Company at an exercise price and upon such terms and conditions as may be specified in the Scheme.

4.28 "Permanent Disability" means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Employee from performing any specific job, work or task which the said Employee was capable of performing immediately before such disablement, as determined by the Board based on a certificate of a medical expert identified by the Company.

4.29 "Promoter" shall have the meaning ascribed to it under the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, as amended from time to time.

4.30 "Promoter Group" shall have the same meaning ascribed to it under the SEBI (Issue of Capital & Disclosure Requirements) Regulations, 2018, as amended from time to time. Provided where the Promoter or Promoter Group of the company is a body

corporate, the promoters of that body corporate shall also be deemed to be promoters of such company;

- 4.31 "Relative"** shall have the same meaning as defined under section 2(77) of the Companies Act, 2013.
- 4.32 "Resultant Shares"** means the shares or other securities issued in lieu of the Shares of the Company, due to any 'Change in Capital Structure' or on any 'Corporate Action'.
- 4.33 "Retirement"** means retirement as per the rules of the Company including tenure of employment extended in certain cases by the Company.
- 4.34 "Scheme"** means the **PNBHFL ESOS 2016**, approved and notified by the committee/board/ company under which the Company is authorized to grant Employee Stock Options to the Employees of the Company, as modified from time to time in compliance with all Applicable Laws, subject however that any such modification will not be construed any additional liability towards Tax or otherwise on the Company.
- 4.35 "Securities"** means securities as defined in clause (h) of Article 2 of the Securities Contracts (Regulation) Act, 1956 and includes hybrids, derivatives and units or any instrument which entitles the owner to be allotted any kind of property, or payment of money in lieu thereof at a future date.
- 4.36 "SEBI"** means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992.
- 4.37 "SEBI Regulations"** means the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 issued by SEBI under SEBI Act, 1992 and amendments thereto.
- 4.38 "Secretarial Auditor"** means a company secretary in practice appointed by a Company under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 4.39 "Shares"** means Equity Shares of the Company (of Face value of Rs. 10 Each).
- 4.40 "Shareholder"** means the registered holder of a Share in the share capital of the Company.
- 4.41 "Subsidiary Company"** shall have the same meaning as defined under Section 2(87) of the Companies Act, 2013.
- 4.42 "Stock Exchange"** means, a stock exchange, whether within or outside India, which is notified/recognized by any government authority as a stock exchange, for the purpose of trading in shares/securities and includes the National Stock Exchange of India Limited, BSE Limited.

- 4.43 “Termination Date”** means the date of termination of employment of the Beneficiary with the company or its holding company or its subsidiary company.
- 4.44 “Unvested Option”** means an Option which is not a vested option.
- 4.45 “Vesting”** means the process by which the Employee becomes entitled to receive the benefit of a grant made to him under the scheme.
- 4.46 “Vested Option”** means an Option, which has vested in pursuance of Article 10 below with the Optionee or Option Grantee and has thereby become exercisable.
- 4.47 “Vesting Date”** means the date on and from which the Option vests with the Participant/ Beneficiary and has thereby becomes exercisable under the Scheme.
- 4.48 “Vesting Period”** means the period during which the vesting of the Employee Stock Option granted to the Employee, in pursuance of the Scheme takes place.

II) 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 neuter genders only, shall be taken to include all three genders.

III) Article Headings:

Article headings are for information only and shall not affect the construction of this document.

IV) References

- a) A reference to a Clause or Schedule is respectively a reference to a Clause or Schedule of this document. The Schedules to this document shall for all purposes form part of this document.
- b) Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

ARTICLE 5

IMPLEMENTATION & ADMINISTRATION

Subject to Applicable Laws, and the broad policy and the framework laid down by the Board of Directors, the scheme shall be administered by the Nomination and Remuneration Committee in accordance with Article 6 referred below. The Committee is authorized to interpret the scheme, to establish, amend and rescind any rules and regulations relating to the scheme and to make any other determinations that it deems necessary or desirable for the administration and implementation of the scheme. The Board may correct any defect, omission or reconcile any inconsistency in the scheme in the manner and to the extent the Board deems necessary or desirable.

ARTICLE 6

NOMINATION AND REMUNERATION COMMITTEE

- 6.1** The Nomination and Remuneration Committee of the Company means the committee already constituted or as may be re-constituted by the Board of Directors from time to time comprising of such members of the Board as provided under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with section 178 of the Companies Act, 2013 from time to time, for effective administration of the Scheme. This Committee for all purposes under SEBI Regulations will be considered as compensation committee. The committee shall be entitled to invite any person to attend its meetings and participate in the discussion and deliberations, if it may so deem fit. The committee, in exercise of its powers, may require any information from the Company, and/or seek the assistance of any Employee of the Company as it may deem fit to fully and effectively discharge its duties.
- 6.2** The powers of the Nomination and Remuneration Committee, *inter alia*, include the power to:
- I. At its discretion, come out with Employee Stock Incentive Schemes, from time to time, subject to receipt of requisite approvals.
 - II. Determine the quantum of options to be granted under any Employee Stock Option Scheme (ESOS), both in aggregate and to any specific employee.
 - III. Formulate the detailed terms and conditions of the ESOPs, within the overall terms and policy approved in this regard .
 - IV. Adopt rules and regulations for implementing the scheme from time to time, within the overall terms and policy approved in this regard.
 - V. Identification of classes of employees entitled to participate in the Scheme, within the overall terms and policy approved in this regard.
 - VI. Grant Options to the identified eligible employee and determine the grant date, within the overall terms and policy approved in this regard.

- VII. The vesting schedule of the grant made to the employee within the limits as prescribed in the scheme.
- VIII. Decide upon the right of an employee to exercise all the options vested in him at one time or at various points of time within the Exercise Period.
- IX. The decide upon the procedure for making a fair and reasonable adjustment to the entitlement including adjustment 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, inter alia, be taken into consideration:
 - 1. the number and Exercise Price of Options shall be adjusted in a manner such that total value of the Options in the hands of the Option Grantee remains the same after such Corporate Action; and
 - 2. the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option Grantees.
- X. Determine the number of Options to be Granted to each Grantee and in aggregate subject to the ceiling under the Scheme.
- XI. Determine the method for exercising the Vested Options, period of Exercise, etc.
- XII. Determine the terms and conditions, not inconsistent with the terms of the scheme, of any Option Granted hereunder.
- XIII. Grant, vesting and exercise of options in case of employees who are on long leave;
- XIV. Approve forms or agreements for use under the scheme.
- XV. Decide all other matters that must be determined in connection with an Option under the scheme in accordance with SEBI Guidelines, within the overall terms and policy approved in this regard.
- XVI. Construe and interpret the terms of the scheme, and the Options Granted pursuant to the scheme, within the overall terms and policy approved in this regard.
- XVII. Through the processes put in place by the Company in this regard ensure that there should be no violation of applicable Securities law
- XVIII. The procedure for funding for Exercise of Options, as permitted under the Applicable Laws;
- XIX. 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, including:
 - 1. permissible sources of financing for buy-back;
 - 2. any minimum financial thresholds to be maintained by the Company as per its last financial statements; and
 - 3. limits upon quantum of Options that the Company may buy-back in a financial year
- XX. To ensure there should be no violation of the following, once the company get listed at the recognized stock exchange in India:

- (i) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
- (ii) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations 2003.

- 6.3** The powers and functions of the Nomination and Remuneration 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 may further provide that the Nomination and Remuneration Committee shall exercise certain powers only after consultation with the Board and in such case, the said powers shall be exercised accordingly.
- 6.4** No member of the Nomination and Remuneration Committee shall be personally liable for any decision or action taken in good faith with respect to the Scheme.
- 6.5** A member of the Nomination and Remuneration Committee shall abstain from participating in and deciding on any matter relating to grant of any Option to him.

ARTICLE 7

SHARES POOL

Subject to Article 15, the maximum number of Options that may be issued pursuant to the scheme shall not exceed 41,88,459 in number which will be convertible into equal number of Equity Shares i.e. number of shares in this scheme shall not exceed 41,88,459 Equity Shares of the Company constituting 3.3% of the total share capital of the Company as on 31st March, 2016.

Subject to Article 15, the entire pool will be again categorized in the following manner:-

- a) **Plan A** - 38,07,690 Equity Shares constituting about 3% of the total Share Capital of the company as on 31st March 2016 for the current permanent employees (including Managing director) as on the date of the scheme being approved by the Board.
- b) **Plan B** - 3,80,769 Equity Shares constituting about 0.3% of the total Share Capital of the Company as on 31st March 2016, for the new hires / promotions/ additional allocation for superior performing staff at the discretion of the Nomination and Remuneration Committee. Each relevant employee being a permanent employee of the Company. Subject to the approval of the Nomination and Remuneration Committee an in-principle commitment may be made to a person prior to him/her becoming a

permanent employee, provided that the relevant grant shall only take place after such person becomes a permanent employee.

The Company reserves the right to increase or reduce such number of shares as it deems fit subject to the shareholders' approval, in accordance with the Applicable Laws.

If any Option granted under the Scheme lapses or forfeited or surrendered under any provision of the Scheme, such Option shall be available for further grant under the Scheme at the prevalent fair market value.

Where Shares are issued consequent upon Exercise of an option under the Scheme, the maximum number of Shares that can be issued under the Scheme as referred to above shall stand reduced to the extent of such Shares issued.

ARTICLE 8

APPRAISAL AND ELIGIBILITY OF AN EMPLOYEE

As soon as may be possible after the Scheme comes into effect and at times thereafter, as deemed fit by the Nomination and Remuneration Committee, the Committee shall, make the periodic appraisal of the Employee(s) and / or any team or group of the Company or the employer Company of which such Employee(s) is / are part of, based on the following criteria, including but not limited to:

- i. Performance: Employee's performance during the previous three financial years on the basis of the parameters decided by the management.
- ii. Grade: Employee's HR Grade as per the HR Policy of the Company.
- iii. the present and potential contribution of the Employee to the success of the Company,
- iv. high market value/difficulty in replacing the Employee and
- v. high risk of losing the Employee to competition,
- vi. Value addition by the new entrant if any

decide on the Employees who are eligible for the grant / vesting of Options under the Scheme and the terms and conditions thereof. The Nomination and Remuneration Committee may in its absolute discretion vary or modify such criteria and/or selection and/or the terms and conditions for granting any Option to any Employee or class of Employees.

Nothing in the Scheme or in any Option granted pursuant to the Scheme shall confer on any individual, any right to continue in the employment of the Company or interfere

in any way with the right of the Company to terminate the individual's employment at any time.

ARTICLE 9

GRANT OF OPTIONS

- 9.1** The Nomination and Remuneration Committee, in accordance with the terms and conditions of the scheme for the time being in force and subject to Employee's continuity in the employment, and other parameters as set out by the Board, grant Options to one or more Employees in the manner specified.
- 9.2** Each Option granted shall be advised to the Optionee in writing, specifying the date, number of Options granted, the Exercise Price, the Vesting schedule of the Option, the earliest date on which the Options under the grant shall be eligible for Vesting, and other terms and conditions thereof.
- 9.3** The Nomination and Remuneration Committee is authorized to determine, in its absolute discretion, the number of tranches in which options will be Granted.
- 9.4** The maximum number of Options that can be granted to any eligible employee during any one-year shall not equal or exceed 1% of the issued capital of the Company at the time of grant of Options, except subject to the separate approval of the shareholders in a general meeting by way of a special resolution.
- 9.5** The employee shall accept the offer made to him by submitting his acceptance within a period of 30 days from the date of the receipt of the Grant letter, to the Company, by signing an Option Acceptance Agreement. Provided that the Nomination and Remuneration Committee shall have the authority to extend this 30 day time period at its discretion, in light of the relevant reasons and circumstances for delay.
- 9.6** Any Employee who fails to return the Option Acceptance Agreement on or before the due date shall, unless the Nomination and Remuneration Committee determines otherwise, be deemed to have rejected the offer and the Company shall not be liable to pay any amount on such rejection and the employee shall have no further rights in relation to such Option.
- 9.7** An offer made under this scheme is personal to the Optionee and cannot be transferred in any manner whatsoever.
- 9.8** Unless agreed otherwise between the Company and any Employee and subject to the Corporate Action(s) in the Company, the grant of an Option to an Employee under this Scheme shall entitle the holder of the Option to apply for one Share in the Company upon payment of exercise price.
- 9.9** Any grant of options to a Non-Executive Non-Independent Director shall be made in compliance with Listing Agreement and / or the SEBI (Listing Obligations and

Disclosure Requirements) Regulations, 2015, once the shares of the company get listed.

- 9.10** An Optionee may surrender, at any time, the options granted to him, whether vested or unvested, to the Nomination and Remuneration Committee. In this case, the Nomination and Remuneration Committee shall not be liable to pay anything to the Optionee in lieu of options, so surrendered.
- 9.11** The Nomination and Remuneration 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, no compensation shall be payable to the option holder(s) for such cancelled options.

ARTICLE 10

METHOD OF ACCEPTANCE

- 10.1** The method of acceptance of the Grant made pursuant to Article 9 above and under the Notified Scheme, shall be determined in accordance with the Notified Schemes under the Plan.
- 10.2** Upon receipt of a duly completed Acceptance Form from the Option Grantee in respect of the Grant, the Option Grantee will become a Participant. The Committee may then issue to the Participant/ a statement, in such form as it deems appropriate, showing the number of Options to which the Participant is entitled pursuant to the acceptance of such Grant and the number of Shares for which the Participant will be entitled to subscribe pursuant to such Grant.
- 10.3** Subject to the terms contained herein, the acceptance in accordance with this Clause and the relevant Notified Scheme(s), of a Grant made to option grantee, shall conclude a contract between the option grantee and the Company, pursuant to which each Option shall, on such acceptance, be an Unvested Option.

ARTICLE 11

VESTING OF OPTIONS

- 11.1** Subject to the terms contained herein, the grant made duly accepted by the Employee, shall conclude a contract between the Employee and the company, pursuant to which each option shall, on such grant, be an unvested Option.
- 11.2** The vesting period shall never be less than the minimum vesting period of 1 year (except for the exception of death/ permanent incapacity) and not more than the maximum vesting period of 5 years from the date of Grant of Options.

Provided that in case where Options are granted by the Company under the Scheme in lieu of options held by a person under a similar plan/ scheme in another company (Transferor Company) which has merged or amalgamated with the Company, the period during which the options granted by the Transferor Company were held by him shall be adjusted against the minimum Vesting Period required under this Sub-clause in due compliance with the provisions of SEBI Regulations.

11.3 The vesting of the grant under:

Plan A: (for existing eligible employees, 38,07,690 Equity Shares constituting about 3% of the total Share Capital of the company as on 31st March 2016 will be for the current employees as on the date of the institution of the Scheme.)

- will be spread over four years after grant, as per the vesting schedule as given hereunder;

Time Period	Options Vested
1 year from the date of the Grant	25% of the options granted
Subject to termination clause, after completion of 2 year from the date of the Grant	25% of the options granted
Subject to termination clause, after completion of 3 years from the date of the Grant	25% of the options granted
Subject to termination clause, after completion of 4 years from the date of the Grant	25% of the options granted

- Plan B - (3,80,769 Equity Shares constituting about 0.3% of the total Share Capital of the Company as on 31st March 2016 will be for the new hires / promotions/ additional allocation for superior performing staff at the discretion of the Nomination and Remuneration Committee.)

Time Period	Options Vested
After 1 year from the date of the grant	20% of the options granted
After 2 years from the date of the grant	20% of the options granted
After 3 years from the date of the grant	20% of the options granted
After 4 years from the date of the grant	20% of the options granted
After 5 years from the date of the grant	20% of the options granted

The minimum vesting period shall be at least one year from the date of grant (with exception for death and permanent incapacity). The maximum exercise period for vested options will be 3 (three) years (except in cases where due to death/permanent incapacity the vesting takes place prior to IPO in which case the exercise period may be longer).

- 11.4** Subject to Article 15, the vesting conditions will be such as are specified in the vesting schedule set for each option holder and the conditions subject to which vesting shall take place may be outlined in the Grant Letter.
- 11.5** The vesting schedule set for each option holder shall not be more than 5 years.
- 11.6** The Nomination and Remuneration Committee may, on a case to case basis, approve a shorter period of vesting (not below 3 years).
- 11.7** The Vesting of options hereunder shall be evidenced by the Vesting confirmation which shall be communicated to the option holder. Such communication shall be in writing or notified through electronic mail or through the corporate intranet and shall specify the number of options vested and the terms and conditions of the vesting and rules applicable thereto.
- 11.8** Unless the Nomination and Remuneration Committee provides otherwise, the vesting of options granted hereunder shall be stalled/blocked during any unauthorized and unpaid leave of absence and suspension of the employee for such period as may be determined by the Committee or for any Cause as deemed fit by the Nomination and Remuneration Committee and the decision of the Nomination and Remuneration Committee in this regard shall be final and binding on the employee(s).
- 11.9** Further Nomination and Remuneration Committee also has the power to accelerate the vesting of the grants if it feels the same is beneficial to the interest of the company. However the vesting period cannot go below the minimum period of 1 year from the date of grant.
- 11.10** Subject to the SEBI Regulations, and unless the Nomination and Remuneration Committee decides otherwise, no Options shall vest in a optionee, if such optionee carries on or engages in, directly or indirectly, whether through partnership or as a shareholder, joint venture partner, collaborator, consultant or agent or in any other manner whatsoever, whether for profit or otherwise, any business which competes directly or indirectly with the whole or any part of the business carried on by the Group or any activity related to the business carried on by the Group. Decision of the Committee/ Company in this regard shall be final and conclusive and cannot be called in question by the optionee. For the sake of clarity, the restriction contained in this

Clause shall not apply to any investment held as a portfolio by the optionee or any activity/ business carried out by the optionee pursuant to his duties as an employee or director of the Company and shall not apply to the Nominee of the optionee.

11.11 Neither the optionee nor any person entitled to exercise optionee's rights in the event of death of the optionee shall be entitled to claim or receive any dividend and right to vote, or in any manner enjoy the benefits as a shareholder of the Company in respect of the Options granted/ vested, till such time as the Shares are transferred pursuant to a valid exercise of the Options in favor of such optionee or such person.

11.12 Notwithstanding anything contained elsewhere in this Scheme, the Nomination and Remuneration Committee, subject to the minimum and maximum Vesting Period, shall have the authority to determine any Vesting schedule and percentage different from that specified in this clause in connection with any Grant made under this Scheme. Each Vesting will be subject to satisfactory performance of the Option Grantee and that of the Company. The individual/corporate performance conditions shall be determined at the discretion of the Nomination and Remuneration Committee which shall be specified in the individual grant letter.

ARTICLE 12

EXERCISE PRICE & MODE OF PAYMENT

12.1 The Exercise price of the shares will be decided by the Nomination and Remuneration Committee on the basis of the Fair Market Value of the Company calculated in accordance with Article 12.2.

12.2 The Fair Market Value of the shares of the Company for the purpose of Article 12.1 will be calculated in the following manner:-

- a. Grant Before the IPO; Exercise price of each ESOP will be the Fair Market Value of each share on the date of the ESOP grant as approved by the Nomination and Remuneration Committee based on independent valuation report, precedent transactions and any applicable regulatory requirements.
- b. Grant After IPO, Exercise price of each ESOP will be the Fair Market Value of each share on the date of the ESOP grant as approved by the Nomination and Remuneration Committee. Fair Market Value of the company will be the Market Price of the shares of the company on the stock Exchange where the shares of the company get listed, immediately prior to the date of the meeting of the Committee wherein the grant will be made.

If the Company get listed on more than one Stock Exchange, then the price of the Stock Exchange where there is highest trading volume during the aforesaid period shall be considered. Fair market value shall not be older than 6 months from the date of grant in terms of company law regulations.

12.3 The Exercise Price, so determined, will be in conformity of accounting policies specified in the regulation 15 of SEBI Regulations.

12.4 Nomination and Remuneration Committee at its sole discretion may provide a premium on the price as arrived above.

However, in any case the Exercise price shall not go below the par value of Equity Share of the Company.

12.5 The consideration to be paid for the Shares to be issued upon Exercise of options, including the method of payment, shall be determined by the Nomination and Remuneration Committee. Such consideration may consist of (i) cheques or demand draft payable at the registered office of the Company by or on behalf of the optionee; (ii) any other mechanism to enable identified Employees to raise finance to pay the Exercise Price in accordance with applicable laws, and not being from the company; or (iii)_ remittance directly from the Participant's bank to the bank account of the Company (wire transfer) as the Committee may specify; or (iv) recovery from the salary payment; or (v)any combination of the foregoing methods of payment, provided that any such mechanism at the relevant point is allowed under the applicable laws.

12.6 Further Nomination and Remuneration Committee has the power to re price the options which are not exercised if the scheme is rendered unattractive due to fall in the price of the shares in the stock market subject to the prior approval of the shareholders' of the Company by way of a special resolution.

ARTICLE 13

WITHHOLDING TAX OR ANY OTHER SUM

13.1 All Options granted under this Plan shall be subject to all applicable taxes, withholding tax and/ or any levy and/ or any contribution and/ or any sums due (by whatever name it is called) arising due to participation in the Plan and the scheme notified therein (in or outside India), if any, and the Company or Committee, accordingly, may withhold such taxes and/ or levy and/ or contribution and/ or payment in full unless Committee decides to withhold in part.

13.2 Notwithstanding anything contained in the Notified Scheme or any other Clauses of the Plan, if, on the Grant of the Option and/ or the vesting of option and/ or the exercise

of the options and/ or allotment or transfer of the Shares under the Notified Scheme(s) and or at any time while this Plan is in operation shall be subject to any levy and/ or taxes or contribution or payment (by whatever name called), if any, that is levied on or payable by the Company/ Employing entity (in or outside India). Such taxes and/ or levy and/ or contribution and/ or payment shall be recovered in full, unless the Committee at its sole discretion decides to recover in part from the optionee.

- 13.3** Notwithstanding anything else contained in this Plan or under the Notified Scheme, no Shares/ sale proceeds therefrom, as the case may be, shall be issued/ allotted/ transferred/ disbursed to the optionee/ Nominee, on Exercise of the Options under the Notified Scheme(s) under the Plan, unless appropriate levies/ taxes/ contributions/ payments as given in this Clause are recovered in full, unless the Committee at its sole discretion decides to recover only a part of the same from the optionee or Beneficiary.

ARTICLE 14

EXERCISE OF OPTIONS

- 14.1** The vested Options shall be exercisable according to the terms and conditions as determined and mentioned under the Scheme.
- 14.2** The Employee shall exercise his vested options within 3 (three) years from the date of vesting of the respective options. Provided however that in case of cessation of employment, the vested Options shall lapse/ be exercised in accordance with the provisions of Article 15 of this Scheme.
- 14.3** The options shall be deemed to have been Exercised only when the Company receives:
- a) a written or electronic notice of exercise from the optionee, in such form as may be prescribed; and
 - b) the full payment towards the Exercise Price in respect of Shares. The company may withhold due taxes and/ or levy and. or contribution and/ or payment in full have been recovered under the relevant tax laws, for the time being in force.
- 14.4** The options can be exercised only upon full payment of the exercise price by the Optionee.
- 14.5** The vested options not duly exercised within the Exercise Period shall lapse. Lapsed options shall be added back to the pool of ungranted options and shall be available for fresh grants at the prevalent fair market value.
- 14.6** However, no fraction of a vested Option shall be exercisable.
- 14.7** The Exercise Form shall be in the form as may be prescribed in this regard and the Nomination and Remuneration Committee may determine the procedure for the Exercise from time to time.

- 14.8** An employee can exercise the vested options subject to the adherence of Insider Trading Code of Conduct of the Company once the Company get listed.
- 14.9** Upon completion of a valid Exercise of Options, the Board / Committee thereof shall make an allotment of shares to the Optionee or by any other mechanism permissible under the applicable laws.
- 14.10** The Board / Committee shall make allotments upon the valid exercise on calendar Quarterly basis or as otherwise may be decided by the Nomination and Remuneration Committee in this regard the Company/ the Committee to pass a valid title of the relevant Shares to the Participant/ Nominee, free and clear of any liens, encumbrances and transfer restrictions save for those set out therein.
- 14.11** Upon allotment of the shares, the Optionee shall become member of the Company. The Shares to be allotted shall rank pari-passu in all respects within the then existing Equity Shares of the Company.
- 14.12** Following the Exercise of the options and the issuance of the Shares by the Company, once the company get listed, the Company shall, in compliance with the SEBI Guidelines, list the said Shares on the Bombay Stock Exchange Limited (BSE) and the National Stock Exchange of India Limited (NSE) and such other stock exchanges where the existing Shares of the Company are already listed.
- 14.13** Notwithstanding anything contained elsewhere in the Scheme, the Nomination and Remuneration Committee may not permit the Exercise of any Options (whether vested or not) granted to a Optionee, in the event of the Optionee being found to be involved in fraud, misfeasance, 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 lapse, forthwith, without any claim on, or recourse to the Company.
- 14.14** If the Exercise of Options within the Exercise Period is prevented by any law or regulation in force and the Optionee is forbidden to exercise the Options under such law or regulation, then in such an event the Company shall not be liable to compensate the Optionee in any manner.
- 14.15** The Nomination and Remuneration 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 Optionee in any manner.
- 14.16** Notwithstanding anything else contained in this Scheme, if the Optionee does not exercise his vested Options within the time specified, the Options shall stand lapsed.
- 14.17** Subject to the SEBI Regulations, and unless the Committee decides otherwise, no optionee shall be entitled to make an Exercise, if such optionee carries on or engages in, directly or indirectly, whether through partnership or as a shareholder, joint venture

partner, collaborator, consultant or agent or in any other manner whatsoever, whether for profit or otherwise, any business which competes directly or indirectly with the whole or any part of the business carried on by the Group or any activity related to the business carried on by the Group. Decision of the Committee/ Company in this regard shall be final and conclusive and cannot be called in question by the optionee. For the sake of clarity, the restriction contained in this Clause shall not apply to any investment held as a portfolio by the optionee or any activity/ business carried out by the optionee pursuant to his duties as an employee or director of the Company and shall not apply to the Nominee of the optionee.

ARTICLE 15

CESSATION OF EMPLOYMENT

- 15.1** Vested and unvested Options would be forfeited in case employment is terminated due to cause (as defined in the applicable employment agreement(s) and which shall also include negligence, fraud professional misconduct, moral turpitude etc).
- 15.2** In the case of resignation or if employment is terminated for any reason other than cause, vested options may be exercised (within the prescribed time period for the same) and all unvested options shall lapse.
- 15.3** Notwithstanding anything elsewhere stated in this document:
- 1.** In the event of cessation of employment due to death (while in employment) of an Optionee, all Options granted to him as on date of death would vest immediately in his legal heirs within the specified period. Vested Options would be exercisable within than 6 months from the date of death or before expiry of Exercise Period as per the scheme (whichever is lesser), failing which all the unexercised Options shall lapse irrevocably and the rights there under shall be extinguished. Unvested option shall vest immediately but shall be exercisable only during the Exercise Period as per the scheme. In the event that an IPO of the company does has not occurred on or before the date of death the relevant nominee/legal heir employee shall have the right to either continue to hold the Option or cash out the same at the then prevailing Fair Market Value as determined by the NRC. It being clarified that any exercise prior to the IPO shall only be against cash and exercise after the IPO shall only be against shares.
 - 2.** All other terms and conditions of the Scheme shall apply to such Options. Provided that, in order to exercise the options of the deceased employee, his legal heirs have to submit following documents to the management:
 - Copy of the Succession Certificate/Probate of Will/Letter of Administration.
 - No objection certificate from the other legal heirs.

- Photo copy of the death certificate duly attested by the proper authority (English translated version in vernacular)
- Specimen signature of the person(s) whose name shares are to be transmitted (duly attested by the bank)
- Copy of PAN card of the applicant (self-attested).
- Copy of address proof (self-attested)

3. In the event of Permanent Incapacity of an Employee (while in employment), all Options granted to him as on date of Permanent Incapacity would vest immediately in him or his nominees on that day. The Options would be exercisable within 6 months from the date of permanent incapacity or before expiry of Exercise Period (whichever is lesser). Unvested Options shall vest immediately but shall be exercisable only during the Exercise Period as per the scheme. In the event that an IPO of the company does not occur on or before the date of permanent incapacity the relevant employee shall have the right to either continue to hold the Option or cash out the same at the then prevailing Fair Market Value as determined by the NRC. It being clarified that any exercise prior to the IPO shall only be against cash and exercise after the IPO shall only be against shares.

15.4 In the event of separation from employment due to Retirement/Superannuation:

1. In case of superannuation/ retirement before IPO, all unvested option shall vest: on IPO or completion of 1 year from the date of grant, whichever is later. In case of superannuation/ retirement after IPO, *Unvested options granted to the employee would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the ESOP Scheme.**
2. All Vested Options can be exercised within 6 months from the date of such option holder's retirement or before expiry of exercise period as per the scheme (whichever is lesser).
3. Unvested Options in case of retirement/ superannuation pre-IPO shall be exercisable within 6 months from the date of IPO. In the event that an IPO of the company does not occur on or before the date of superannuation/ resignation the relevant employee shall have the right to either continue to hold the Option or cash out the same at the then prevailing Fair Market Value as determined by the NRC. It being clarified that any exercise prior to the IPO shall only be against cash and exercise after the IPO shall only be against shares.

15.5 In the event where arises a dispute between Optionee and the Company, and including the cases of the suspension of the Employee, the exercise of the vested options , as

the case may be will be put on hold till the date of settlement. The period of vesting and/or exercise will be stretched by the duration of dispute.

15.6 Long Leave - Notwithstanding anything contained in the scheme, effect of any “Long Leave” will be given as considered appropriate by the Nomination and Remuneration Committee.

15.7 Malus/Clawback provision: In the event of act of Cause which comes to light as per the Malus or Clawback clause –

- i. For an existing employee, the company as per the discretion of the Nomination and Remuneration Committee may cancel the grant and/or proceed to pursue to recover from the employee an amount equivalent to the exercised options * (market price on date of exercise minus exercise price) for upto 2 years from Date of Vesting and the concerned individual(s) is/are obligated to return the amount.
- ii. For an employee no longer associated with the company, the company as per the discretion of the Nomination and Remuneration Committee may proceed to recover from the employee an amount equivalent to the exercised options * (market price on date of exercise minus exercise price) for upto 2 years from the Date of Vesting and the concerned individual(s) is/are obligated to return the amount.

15.8 The date of such breach shall be determined by the Nomination and Remuneration Committee, and its decision on this issue shall be final and binding on all concerned.

Note: * Amended vide NRC approval dated April 04, 2022: Insertion of New clause and deletion of below clause at 15.4: Unvested options shall vest on the date of superannuation/ retirement/ or completion of 1 year after grant, whichever is later.

ARTICLE 16

TERMS AND CONDITIONS OF SHARES

16.1 Neither Optionee, nor his successors in interest, shall have any of the rights of a shareholder of the Company with respect to the Options granted to him, till Shares are allotted to them on exercise of Options.

16.2 Nothing herein is intended to or shall give the Optionee, any right to status of any kind as a shareholder of the company in respect of any share covered by the grant unless the Optionee exercises the options & becomes the Registered Shareholder of the Company.

16.3 The Optionee 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.

16.4 The Shares issued pursuant to the exercise of an Option will not be subject to any lock-in period.

- 16.5** Unless otherwise decided by the Nomination and Remuneration Committee, all expenses towards the Exercise Price and taxes relating to issue of the Shares would be borne by the Option Grantee .

ARTICLE 17

CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

- 17.1** Except as hereinafter provided, any grant made shall be subject to adjustment, by the Nomination and Remuneration Committee, at its discretion, as to the number and price of Options or Shares, as the case may be, in the event of 'Corporate Action' as defined in the Scheme.
- 17.2** If there is a 'Corporate Action' of the Company before the Options that are granted under this Scheme, are Exercised, the 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 the then outstanding Options exercised by him, had been exercised before such 'Corporate Action' had taken place and the rights under the Options shall stand correspondingly adjusted. In the event of a Corporate Action such as Bonus Issue, Stock Split, declaration of dividend etc., the Nomination and Remuneration Committee, subject to the provisions of applicable laws to the Stock options, shall make fair and reasonable adjustments under the Scheme, as it deems fit, with respect to the number of options, exercise price, distribution of sums and make any other necessary amendments to the Scheme for this purpose with respect to all the Corporate Actions in the Company. The vesting period and life of the options shall be left unaltered as far as possible.
- 17.3** In the event of severance of employment of an Optionee, as a part of reconstitution / amalgamation / sell-off or otherwise, the options that have vested or unvested before such reconstitution / amalgamation / sell-off, shall be treated as per the adjustments to be made and recommended by the Nomination and Remuneration Committee at the time of such action. Nomination and Remuneration Committee also has a power to decide for the treatment of the options (whether vested or not) of the Optionees who continue in the Employment of the company after such action.
- 17.4** In the event of a dissolution or liquidation of the company, any vested options outstanding under the Scheme shall be cancelled if not exercised prior to such event and no compensation shall be payable in respect of the options so cancelled.
- 17.5** In the event of a reverse merger in which the Company is not the surviving entity, the options vested till the date of happening of this event shall be exercised by the employee within such time period as may be informed by the Nomination and Remuneration Committee at the time of the event. With regard to the unvested options, the new management shall take the decision which shall be final and binding.

ARTICLE 18

AMENDMENT OR TERMINATION OF THE SCHEME

- 18.1 The Nomination and Remuneration Committee may from time to time amend or modify terms of the Scheme within the contours of the shareholders' approval dated July 26, 2022 and applicable laws.
- 18.2 No such amendment under sub-clauses 14.1 would impair or prejudice the rights of any RSU Grantee.

ARTICLE 19

OTHERS

19.1 No Employment Rights Conferred:

Nothing contained herein or in any Option granted to an Employee shall:

- (i) Give or confer upon such Employee any right for continuation of any employment with his Employer, or
- (ii) Interfere in any way with the right of his Employer to terminate the employment of such Employee at any time and for any reason whatsoever.

19.2 Correspondence

All notices of communication required to be given by the Company to an Option Grantee by virtue of this Scheme shall be in writing and shall be sent to the address of the Option Grantee available in the records of the Company or through electronic mail to the official email id of the Option Grantee and any communication to be given by an Option Grantee / Optionee, to the Company in respect of Scheme shall be sent in the following manner:

Stage 1- Optionee shall submit his grievance or any other kind of communication, as the case may be, to:

Company Secretary,
PNB Housing Finance Ltd,
9th Floor, Antriksh Bhawan,
22, Kasturba Gandhi Marg,

New Delhi - 110001

Stage 2- If the grievance is not resolved at Stage 1, then the same shall be forwarded to the below mentioned address:

Chief People Officer,
PNB Housing Finance Ltd,
9th Floor, Antriksh Bhawan,
22, Kasturba Gandhi Marg,
New Delhi - 110001

19.3 No Restriction on Corporate Action:

The existence of the Scheme and the grants made hereunder shall not in any way affect the right or the power of the Board of Directors or the shareholders or the Company to make or authorize any 'Change in Capital Structure' including any issue of shares, debt or other Securities having any priority or preference with respect to the Shares or the rights thereof.

Nothing contained in the Scheme shall be construed to prevent the Employer Company from taking any Corporate Action which is deemed by such Employer Company to be appropriate or in its best interest, whether or not such action would have an adverse effect on the Scheme or any grant made under the Scheme. No Employee or other person shall have any claim against the Employer Company as a result of such action.

19.4 Confidentiality:

The optionee shall maintain the utmost confidentiality regarding the contents of the Scheme and benefits thereunder at all times and shall not make any announcement to the public or to any third person regarding the arrangements contemplated by the Scheme and the benefits thereunder except to the extent as may be required by the applicable laws.

18.1 Lock-in

The Shares issued upon Exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such Exercise.

Provided however that the Shares allotted on such Exercise cannot be sold for such period from the date of allotment in terms of code of conduct for prevention of insider trading of the Company, if any, read with Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended or such other period as may be stipulated from time to time in terms of such Code.

19.5 New Schemes:

Nothing contained in the Scheme shall be construed to prevent the Employer, from implementing any other new Scheme for granting stock options and/or share purchase rights, which is deemed by the Employer 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 Employer as a result of such action.

19.6 Issues:

Any issues arising in respect of this Scheme, the decision of the Board of Directors shall be final and binding on all concerned.

19.7 Beneficiary nomination

Each Optionee, under the Scheme may nominate, from time to time, any Beneficiary or Beneficiaries to whom any benefit under the scheme is to be delivered in case of death of the Optionee, before the exercise of Granted Options. Each such nomination shall revoke all prior nominations by the same Optionee, shall be in a form prescribed by the Company and will be effective only when filed by the Optionee, in writing with the Company during the Optionee's life time.

19.8 Scheme severable:

This Scheme constitutes the entire document in relation to its subject matter and supersedes all prior agreements and understandings whether oral or written with respect to such subject matter.

In the event that any term, condition or provision of this Scheme being held to be a violation of any applicable law, statute or regulation, the same shall be severable from the rest of this Scheme and shall not be in force and effect however, this Scheme shall remain in full force and effect, as if, such term, condition or provision had not been originally contained in this Scheme.

19.9 Regulatory Approvals:

The implementation of the scheme, the granting of options under the scheme and issuance of any shares under the scheme shall be subject to the procurement by the Company and the Optionees of all approvals and permits required by any regulatory authorities having jurisdiction over the Plan, the Options and the Shares issued pursuant thereto. The Optionee, under this Scheme will, if requested by the Nomination and Remuneration Committee, provided such assurances and representations to the Company, as the Nomination and Remuneration Committee may deem necessary or desirable to ensure compliance with all applicable legal requirements.

19.10 Disclosure and Accounting Policies

The Company shall comply with the disclosure and accounting policies prescribed by appropriate authority from time to time. The Company shall use intrinsic value method to value its Options.

Since the Company would calculate the employee compensation cost using the intrinsic value of the Option, the difference between the employee's compensation cost so computed and the employee compensation cost that shall have been recognized, if it had used the fair value of the Options, shall be disclosed in the Directors Report and also the impact of this difference on profits and on Earning Per Share of the Company shall also be disclosed in the Directors Report. – You may like to confirm this aspect with your auditors and may also check the impact of IND AS on the same.

19.11 Transfer or Deputation:

In the event that a Participant who has been granted Options under this Plan and Notified Scheme(s) is transferred or deputed to any other Company in the Group prior to Vesting or Exercise, the Vesting and/or Exercise as per the terms of Grant shall continue in case of such transferred or deputed Participant even after the transfer or deputation.

This Plan shall not confer on any person any legal or equitable rights against the Company or the Board directly or indirectly or give rise to any cause of action at law or in equity against the Company or the Board.

The Company shall bear the costs of establishing and administering this Plan, including any costs of the Company's auditors or any independent financial adviser in relation to the preparation of any confirmation by them or provision of any other service in relation to this Plan.

The Participant shall comply with the provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003, to the extent applicable, as well as any code of conduct or such similar policy procedure or system formulated or adopted by the Board and communicated to the Participant from time to time. Any violation of the Applicable Laws or code of conduct may result in cancellation of all Vested and Unvested Options as well as subject the Participant to disciplinary action at the discretion of the Company.

The acceptance of the Grant is entirely voluntary and the Company or the Board does not guarantee any return on Shares or Options.

This Plan and/or relevant notified Scheme(s) constitutes the entire document in relation to its subject matter and supersedes all prior agreements and understandings whether oral or written with respect to such subject matter.

19.12 Governing Laws:

The Scheme shall be construed in accordance with the laws of India and subject to the jurisdiction of civil court of Delhi, India only.

19.13 Arbitration:

All disputes arising out of or in connection with the Scheme or the Grant shall be referred to for arbitration to a single Arbitrator to be appointed by the Board. The arbitration proceedings shall be in accordance with the provisions of the Arbitration and Conciliation Act, 1996. The place of Arbitration shall be New Delhi, India.