



LOGO

<Company Name>

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HR Policy

## ESOP Scheme policy

**Policy Effective Date: <DD/MM/YY>**

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# Revision History

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# 1.Objective

A company or an organisation is an amalgamation of people having common interests and thoughts in running and leading a business idea. In an effort to encourage employees to participate in its growth and success, the Company offers Employee Stock Option Scheme (ESOP) to its employees

- √ To promote the long-term financial interest by offering to eligible employees an opportunity to participate in the share capital of <Company name>
- √ To attract and retain high quality human talent by providing eligible employees the right incentives and reward opportunities
- √ To create a sense of ownership among the employees and provide them with wealth creation opportunities while in employment
- √ To induce loyalty among the employees by participation and thereby achieve common goals and aspirations

## 2.Scope and Applicability

This Policy applies to employees <Define eligibility> as decided by Company Management.

Employee Means:

- √ Permanent employees of <Company name> working in the USA or abroad;
- √ An officer working for <Company name>, with or without remuneration;
- √ Directors of <Company name>, whether a whole time director or not

**This policy is owned by <Name of the Person> and reachable @ <Contact Number> and <email address>**

## 3.Definition/Interpretation

The following expressions, including their grammatical variations or cognate expressions shall, where the context so admits, have the following meaning:

- √ **'Act'** means the Companies Act, 1956, for the time being in force and as amended from time to time;
- √ **'Board / Board of Directors'** means the Board of Directors of <Company name> and where the context so requires includes the Board of Directors of its Holding Company and/or its Subsidiaries;
- √ **'Company'** means <Company Name>, having its registered office at <Office Address> its successors and assigns, and where the context so permits includes its Holding Company and/or its Subsidiary;
- √ **'Designation'** means the Title or Role description of an employee.
- √ **'Disability'** shall mean "Disability" as defined in any applicable agreement between the Grantee and <Company name>, or if there is no such agreement or Disability is not defined therein, then a Grantee's becoming physically or mentally incapacitated, as confirmed by the medical doctor of <Company name>, so that he is therefore reasonably expected to be unable to perform his duties for <Company name>;
- √ **'ESOP Shares'** means the Shares allotted to a Grantee by <Company name> pursuant to the Exercise of Option by the -Grantee.
- √ **'Exercise'** in relation to Options means, the tendering by a Grantee, of a written application for the issue of Shares, pursuant to the Options vested in him under this Scheme, accompanied by the Exercise Price payable for the Shares;
- √ **'Exercise Period'** in relations to the Options means the period during which the Options can be Exercised, provided that after each vesting, as specified in clause 16(iii), each Grantee shall have a period of 5 (five) years for exercising the respective Options so vested;
- √ **'Exercise Price'** means the pre-determined price per Share payable by the Grantee for exercising the Option granted to him in pursuance of this Scheme;
- √ **'Grant'** means, individually or collectively, issue of Options to eligible Employees under this Scheme;
- √ **'Grant Acceptance Period'** means the period within which the eligible Employee to whom the grant has been offered, has to convey his acceptance for the Grant;
- √ **'Grantee'** means an eligible Employee who has been granted Options and he has accepted the same; and where the context so permits, includes his legal heirs and/or designated nominee/beneficiary;
- √ **'Grant Date'** means the date on which the Options are granted to an eligible Employee pursuant to this Scheme;
- √ **'Holding Company'** means a Holding company as defined under the Act;
- √ **'IPO'** means Initial Public Offer of <Company name>'s Shares resulting in listing of the Shares on any Recognized Stock Exchange;

- √ **'Option'** means a right but not an obligation granted to an eligible Employee to subscribe for Shares in pursuance of this Scheme at Exercise Price and upon such terms and conditions as may be specified;
- √ **'Promoter'** means :
  - o the person or persons who are in overall control of <Company name>; and
  - o the person or persons who are instrumental in the formation of <Company name>
  - o Provided that a director or officer of <Company name>, if he is acting as such only in his professional capacity will not be deemed to be a promoter.

**Explanation.** Where a Promoter of a Company is a body corporate, the promoter of that body corporate shall also be deemed to be a promoter of <Company name>.

- √ **'Promoter Group'** means an immediate relative of the promoter (i.e./spouse of that person, or any parent, brother, sister or child of the person or of the spouse);
- √ **'Recognized Stock Exchange'** means stock exchange in the USA recognized by Securities and Exchange Board of the USA or stock exchange(s) of the countries outside the USA recognized by similar regulatory authorities of that country;
- √ **'Relative'** means immediate family/relation namely spouse, parent, brother, sister or child of the person;
- √ **'Share'** means equity share of <Company name> of an agreed face value per share and the securities convertible into such equity shares;
- √ **'Shareholders'** means the shareholders of <Company name> and where the context so requires includes the shareholders of its Holding Company and/or its Subsidiaries;
- √ **'Subsidiary'** means a subsidiary company as defined under the Act;
- √ **'Vesting'** means the process by which the eligible Employee is given the right to apply for Shares of <Company name> against the Option granted to him in pursuance of this Scheme.
- √ **'Vesting Date'** means the dates on which the Options vests in the Grantee as per the Vesting Schedule;
- √ **'Vesting Period'** means the period during which the Vesting of the Option granted to the Grantee takes place as per clause 16;
- √ **'Vesting Schedule'** means the schedule as specified in clause 16 as per which the Options will Vest in the Grantee

Except where the context requires otherwise, this Scheme will be interpreted as follows:

- √ in this Scheme headings are for convenience only and shall not affect the interpretation hereof.

- √ where a word or phrase is defined, other parts of speech and grammatical forms and the cognate variations of that word or phrase shall have corresponding meanings.
- √ words importing singular shall include plural and vice versa.
- √ reference to Clauses, Articles, Annexures are to clauses, articles, annexures of this Scheme.
- √ words denoting one gender include the other gender.
- √ any reference in this Scheme to a statutory provision includes that provision and any regulation made in pursuance thereof, as from time to time modified or re-enacted, whether before or after the date of this Scheme.

## 4. Policy / Process

### 4.1. Introduction

This document sets out the salient features of the employees stock option scheme called "Employees Stock Option Scheme <Year>" ("Scheme") of <Company Name>, a limited company incorporated under the Companies Act, 1956, and having its registered office at <Company Address>.

This Scheme has been formulated with the objective to enable <Company name> to Grant Options for its equity shares to certain Employees, Officers and Directors of <Company name> eligible under this Scheme, to purchase the Shares at a predetermined price.

This Scheme will come into force on and from the date of its approval by shareholders in their meeting. All the Options granted under this Scheme shall continue to be governed by the provisions of this Scheme and the Grantees, or any persons acquiring rights (in accordance with this Scheme) from the Grantees, may exercise their rights on or before the expiration of the Exercise Period.

This Scheme has been formulated by the Board of Directors of <Company name> in conformity with the Guidelines on Employees' Stock Option Plan or Scheme dated 11th October 2001 issued by the Government of the USA in exercise of the powers conferred by proviso to sub-clause (iii) of clause (2) of Section 17 of the Income Tax Act, 1961.

## 4.2. Implementation:

This Scheme shall be implemented as per the broad parameters outlined herein by the <Designation of owner of the company> in consultation with the Nominee Director.

## 4.3. Effective Date:

This Scheme has been unanimously passed by the Board of Directors at its meeting held on <BOM Date>. This Scheme has come into force on and from the date of approval of shareholders in their meeting.

## 4.4. Administration of this Scheme :

Within the broad parameters laid down herein and subject to the terms of the resolution to be passed by the Shareholders approving the issue of Shares under this Scheme as well as the rules/regulations prescribed by the regulatory authorities with regard to such plans or scheme, the <Designation of owner of the company> in consultation with the <Designation of the team member> shall determine all the terms governing this Scheme, including any variation thereof and will include but be not limited to the following:

- √ determining the parameters for the Employees to whom the Options are to be granted including assignment of weightage to Company's performance, level/grade of Employee and such other criteria as may be determined, the number of Options to be granted to each Employee and the criteria thereof;
- √ the quantum of Options to be granted at various points of time;
- √ Exercise Price on which the Options are to be granted;
- √ the terms and conditions subject to which the Options granted would vest;
- √ the date of vesting of the Options granted and the Vesting Dates from Employee to Employee or any class thereof;
- √ the terms and conditions subject to which the Options vested would be exercised by the Employee;
- √ the number of Options reserved, if any, for Granting to new Employees who would join the services of <Company name>;
- √ deciding the treatment of unvested Options;
- √ deciding adjustments to Grant size and Exercise Price of Options in case of Share split or consolidation of Shares;
- √ framing appropriate procedures for granting, vesting and exercising of Options;
- √ duration of Grant Acceptance Periods and Exercise Periods



## 4.5. Disqualifications :

This Scheme shall not cover:

- √ an employee who is a promoter or belongs to the promoter group; and
- √ an employee who is a director and who, either by himself or through his relative or through any Corporate, directly or indirectly holds more than 10% of the issued, subscribed and paid up equity share capital of another Company.

## 4.6. Ceiling on aggregate number of Options :

Options may be granted, from time to time, to the eligible Employees in such numbers as may be decided by the <Designation of owner of the company> in consultation with the Nominee Director, subject to the stipulation that at any given point of time, the aggregate Options so granted (including shares already allotted under the Scheme, but excluding any granted Options that are lapsed) shall be capped at 5% of the fully diluted share capital of <Company name> without taking into account the Ceiling Limit. Where granted Options, vested or unvested, lapses due to any reason, the <Designation of owner of the company> in consultation with the <Designation of the team member> may issue / re-issue Options to the eligible Employees as long as the aggregate number of Options are within the Ceiling Limit. The Options so issued / re-issued shall be governed by the terms and conditions of the Scheme.

## 4.7. Ceiling on number of Options per Employee:

No Employee shall be granted Options during any one year, equal to or exceeding 1 % of the issued capital of <Company name> ( excluding outstanding warrants and conversions) at the time of Grant of such Options, except with the specific approval of the members of <Company name>, accorded in a general body meeting.

## 4.8. Basis of grant of number of Options to particular Employees:

The <Designation of owner of the company> in consultation with the <Designation of the team member> would determine the number of Options to be granted to various senior level employees, cadre-wise or on a case-by-case basis, based on broad parameters

like past and current performance and potential of the individual and criticality of the position. As the Scheme is meant to attract and retain talented / experienced persons at the Senior level, the criteria for eligibility, the number of Options, Vesting and Exercise Period, mode and frequency of Exercise<sup>1</sup> etc., may be decided by the <Designation of owner of the company> in consultation with the Nominee Director, taking into account various aspects like qualification, experience, past performance levels, future performance indicators, etc., of the Employee, within the overall broad parameters. Decisions taken with regard to eligibility criteria, the number of Options granted to particular Employees, nature of Vesting<sup>1</sup> Exercise, etc., shall be final and it shall not be disputed.

## 4.9. Grant procedure

The Employees identified for grant of Option shall be intimated about the same, by means of a written communication. The communication would contain details including the number of Options granted, the Grant Date, Vesting Schedule, Exercise Price and Exercise Period. The communication will be accompanied by (i) the salient features of the Scheme and (ii) Application Form for acceptance of Grant; and (iii) Application Form for Exercising the Option at the appropriate time.

## 4.10. Acceptance of Grant:

The eligible Employee who has been intimated about the grant offered to him will have to convey his acceptance for the grant within the Grant Acceptance Period in the duly filled form.

## 4.11. Exercise Price and Valuation :

Options granted to Employees under this Scheme shall be at the Exercise Price to be decided by the <Designation of owner of the company> in consultation with the Nominee Director, provided the Exercise Price under this Scheme shall be same for all Grantees. The Exercise Price shall be calculated based upon the last three years' financial position of <Company name> and taking the valuation of <Company name> as INR <xx Lakhs/Crores> for the purpose of issuance of Shares under this Scheme upon

Exercise of Options. Under any circumstances, the Exercise Price shall not be lower than the break-up value of the Share.

## 4.12. Agreement:

An agreement shall be entered into by and between <Company name>, represented by its Company Secretary or any other person authorized for the purpose, and the Employee participating in the Scheme, containing the mutual rights and obligations of either party under the Scheme.

## 4.13. Options:

- √ The Options under the Scheme will be granted in such numbers and at such points of time as may be decided by the <Designation of owner of the company> in consultation with the Nominee Director.
- √ Unless otherwise specified in this Scheme, the continuation of the Grantee in the services of <Company name> shall be the primary requirement of the Vesting.
- √ The Vesting will occur as per the following Vesting Schedule :

Period for Vesting of Option	% of Options that shall vest
First Vest: On the date of Grant of Option	25%
Second Vest: On the 1st day of January in the calendar year succeeding the calendar year of First Vest.	25%
Third Vest: On the 1st day of January in the calendar year succeeding the calendar year of Second Vest.	25%
Fourth Vest: On the 1st day of January in the calendar year succeeding the calendar year of Third Vest.	25%

Percentage of Options, as per the above Vesting Schedule, would vest in the Grantee only upon completion of respective period or December 1, <Year of completion of 5 Years>, whichever is later.

For example, assuming that the Options are Granted on 30.06.2020 and 1.1.2021, 1.1.2022 then the Vesting Schedule for the respective Options would be as under:

<b>Date of Grant of Option</b> <input type="checkbox"/>	<b>30.06.2020</b>	<b>01.01.2021</b>	<b>01.01.2022</b>
<b>Period for Vesting of Option</b>			
First Vest	01.12.2022	01.12.2022	01.12.2022
Second Vest	01.12.2022	01.12.2022	01.01.2023
Third Vest	01.12.2022	01.01.2023	01.01.2024
Fourth Vest	01.01.2023	01.01.2024	01.01.2025

- √ The Options granted to a director, who is an employee of an institution and has been nominated by the said institution, shall not be renounced in favour of the institution nominating him.

#### 4.14. Effect of disassociation :

- √ In the event of an Option Grantee ceasing to be an Employee of <Company name> because of resignation or termination of employment (other than due to reasons of misconduct of the Employee), then unvested Options held by the Grantee shall forthwith lapse.
- √ Where the Grantee has dissociated from <Company name> and is engaged in activities which are materially detrimental to the business or interests of <Company name>, its subsidiaries or its employees, all the vested and unvested Options held by the Grantee shall be cancelled partly or in full as a disciplinary measure.

- √ In case of termination of service of the Grantee for reason of misconduct, all options, Vested and unvested, shall lapse with immediate effect.
- √ In the event of death of the Grantee, all Options vested till the date of death can be exercised by the nominees, or in case of there being no nominee, by the legal heirs of the deceased Grantee, during the Exercise Period, as per the Scheme.
- √ Options granted but not vested till the date of death shall vest in the nominees, or in case of there being no nominee, on the legal heirs of the deceased Grantee, on the date of death of the Grantee and can be exercised during the Exercise Period, as per the Scheme. All other terms and conditions of the Scheme shall apply to such Options.
- √ In the event of Disability of the Grantee, all Options granted to him as on date of Disability would vest in him on that day. The Options would be exercisable at any time within the Exercise Period, as per the Scheme.
- √ In the event of a Grantee disassociating from <Company name> due to superannuation or retirement at the instance of or with consent of <Company name>, the Grantee will continue to hold all Vested Options and can exercise them anytime within the Exercise Period. Unvested Options shall vest in such Grantee as on the date of superannuation or retirement at the instance of or with the consent of <Company name>, as the case may be, provided, the holding of Vested Options and vesting of Unvested Options will be permissible only if the Grantee does not enter into competition / is not employed by a competitor. In the event that <Company name> finds that such Grantee has entered into competition/is employed by a competitor, <Company name> may in its sole discretion cancel all Options, Vested or Unvested, not Exercised and held by the Grantee.

#### 4.15. Exercise of Options and issue of ESOP Shares:

- √ Options can be Exercised by the Grantee during the Exercise Period.
- √ Options once vested in the Grantee, can be Exercised by the Grantee within the Exercise Period. If the last day of Exercise Period happens to be a holiday as per <Company name>'s rules then the same will be permitted to be exercised on the immediately succeeding working day of <Company name>. Options not Exercised by the Grantee within the Exercise Period shall automatically lapse at the expiry of the Exercise Period.

- √ The Grantee shall exercise his Options by submitting, during the Exercise Period, the Exercise application, in the format provided by <Company name>, along with the demand draft, favouring <Company name>, for the total money payable by him in respect of the Exercise Price, calculated as the number of Shares covered under Exercise multiplied by the Exercise Price per Share.
- √ Only the Grantee to whom Options have been granted under the Scheme can exercise the particular Options and apply for issue of Shares. The shares would be issued in his/her own name only.
- √ The ESOP Shares shall rank equal footing with all the existing equity shares of <Company name>.
- √ If the Shares are listed on any Recognized Stock Exchange, the ESOP Shares will also be listed on the Stock Exchanges where the Shares are listed and will be subject to terms and conditions of the listing agreements with the stock exchanges in addition to the terms and conditions of the Scheme.
- √ The ESOP Shares are subject to an approved scheme of buy-back by <Company name>, pursuant to applicable laws and procedures.
- √ The Option Grantee agrees that <Company name> shall, at all times, have the first lien on all such shares which forms the subject matter of this agreement, whether allotted consequent to exercise of original Option granted or by way of bonus or rights issue, or in any other way resulting in grant of Options, to recover any and all amounts, of any nature whatsoever, payable by the Option Grantee either to <Company name> (in discharge of any agreement with <Company name>) or to any statutory authority in discharge of any obligation with regard to the Scheme.

#### 4.16. Benefits of Option holder:

- √ Change in par value of the share: Where the Options have vested (but not exercised) or not vested, should any changes be made to the par value of the equity Share of <Company name> by reason of consolidation, sub-division, or conversion of Shares into Stock, appropriate adjustments shall be made either to the number of Options or the Exercise Price of Options granted, to reflect such change without in any way prejudicially affecting the rights of the said Option Grantee, and also prevent a dilution or enlargement of benefits of Scheme.
- √ Effect of merger etc., of <Company name>: In the event of (1) a merger or amalgamation in which <Company name> is not the surviving entity or (2) a reverse merger in which <Company name> is the surviving entity but the Shares

of <Company name>'s un-issued Share capital immediately preceding the merger are converted by virtue of the merger into other property, whether in the form of securities, cash or otherwise then to the extent permitted by the applicable law any surviving entity may assume any Options outstanding under the Scheme or shall substitute similar Options for those outstanding under the Scheme. In the event any surviving entity refuses to assume or continue such Options or to substitute similar Options for those outstanding under the Scheme, then such Vested Options shall be terminated if not exercised prior to such event. In the event of a dissolution or liquidation of <Company name>, any vested Options outstanding under the Scheme shall be cancelled if not exercised prior to such event. No compensation shall be payable in respect of the Options so cancelled pursuant to this clause.

#### 4.17. Obligations of an Option Grantee:

- √ Confidentiality: The Grantee shall not divulge the details of the Scheme and his holdings to any person except with the prior permission of <Company name> obtained in writing.
- √ Sale of ESOP Shares: The ESOP Shares can be sold by the Grantee only after the listing of the Shares on the Recognized Stock Exchange. However, prior to listing, <Company name> may at its sole discretion provide exit to the Grantee in accordance with applicable law at the then prevailing valuation of such ESOP Shares. Prior to the listing, the Grantee shall not sell, pledge, mortgage, charge, encumber or otherwise dispose of or create any lien or interest in the ESOP Shares, whether expressed or implied in any manner whatsoever except with the prior written permission of <Company name>. If any Shares are transferred or otherwise dealt with in contravention of this clause, then <Company name> shall not recognize any such transaction and shall not be bound to register/endorse the same in its records.
- √ Non-Transferability of Options: Unless otherwise specified in this Scheme, the Options shall not be transferable by the Grantee to any third party. The Option Grantee shall not pledge / hypothecate / charge / mortgage / assign or in any other manner alienate or dispose of the Options.
- √ Tax Liability: In the event of any tax liability, including any tax liability due to change in the tax laws relating to ESOP, arising on account of the issue of the Options / conversion into Shares / sale of Shares or any other event, to the Grantee, such tax liability shall be that of the Grantee alone. In the event of any

tax liability, including any tax liability due to change in the tax laws relating to ESOP, <Company name> shall have the right to call upon the Employees to pay.

#### **4.18. General Risks:**

Participation in this Scheme shall not be construed as any guarantee of return on the equity investment. Any loss due to change in the financial conditions of <Company name>, fluctuations in the market price of the equity and the risks associated with the investments, is that of the Grantee alone.

#### **4.19. Restrictions on the rights of Option Holders:**

The Option Holders are not entitled to any rights which the Shareholders enjoy including voting rights and rights in <Company name> as to dividend prior to conversion of Options into Shares.

#### **4.20. Appointment of Nominee:**

The Employee may appoint in terms of the scheme, his spouse / parent(s) / child (ren) (in the case of minor child (ren) through a guardian) or any other person as nominee(s) for the purpose of exercising the rights subject to the obligations of the employee, in the event of death of the employee. The Employee concerned shall appoint such nominee(s) as per the Form prescribed. The Employee has the right to revoke such nomination at any time and a fresh nomination may be made on such revocation. If the Employee does not have a spouse / parent(s) / child(ren) surviving, any other person may be nominated. The nominee specified as aforesaid shall alone be entitled to exercise the rights of the Employee concerned and <Company name> shall not be liable in relation to any rights and obligations amongst the legal heirs inter se of the Employee concerned. In the absence of nomination or in the event of death of the nominee before exercising the options under the Scheme, the legal heirs of the Employee shall have the right to exercise the options as vested on the Employee on his

#### **4.21. Government Regulations:**



This Scheme shall be subject to all applicable laws, rules, regulations, notifications and to such approvals by any governmental agencies as may be required. The Grant of Options under the ESOP shall entitle <Company name> to require the participants in the Scheme to comply with such requirements of law, from time to time, as may be necessary in the opinion of <Company name>.

## 4.22. Changes in terms and conditions of the Scheme:

The <Designation of owner of the company> in consultation with the Nominee Director, as the case may be, may, at any time, in exercise of the powers vested by the members of <Company name> in the general meeting approving the introduction of the Scheme, change the terms and conditions of the Scheme in order to comply with the laws / enactments, or amendments thereto, that have a bearing on the Scheme. Such change however will not be to the detriment of the Grantee.

## 4.23. No right or claim :

This Scheme shall be subject to requisite approvals and registration requirements under applicable laws, rules and regulations. <Company name> shall not be obliged to issue any Shares under this Scheme unless the issuance of such Shares complies with all laws, rules and regulations applicable to <Company name>.

Nothing in this Scheme shall confer any right or claim in favour of any person for a Grant. Nothing in this Scheme, or any Options granted under this Scheme, shall confer upon the Grantee any right to continue to be an Employee for any period of specific duration or interfere with or otherwise restrict in any way the rights of <Company name>. <Company name> expressly reserves the right, at any time, to terminate the employment of the Grantee, free of any liability or claim under this Scheme, except as expressly provided in this Scheme. The rights and obligations of any eligible Employee shall not be affected by participation in this Scheme. This Scheme shall not form part of any employment agreement between <Company name> and the eligible Employee.

## 4.24. Dispute Resolution and jurisdiction :

In the event of a conflict between the terms and conditions of the Scheme and the terms and conditions of the Agreement entered into by <Company name> and the Employee as relating to the Scheme, the terms and conditions of the Scheme shall prevail. Any dispute, discrepancy or disagreement which shall arise under, or as a result of, or pursuant to, or in connection with the Scheme / agreement, shall be referred to the committee formed by the Board for this purpose and shall be determined by such committee and any such determination / decision / interpretation by such committee shall be binding on all persons affected thereby. Any dispute that may arise as relating to any clause in the Scheme or this agreement shall be subject to the exclusive jurisdiction of the courts in <Location>.

## 4.25. Applicability of provisions of Memorandum and Articles of Association:

This ESOP Plan and the Shares that may be allotted pursuant to this ESOP Plan shall be subject to the provisions of the Memorandum and Articles of Association of <Company name> and the Act.

## 5.Special Circumstance and Exception

Any Deviation to this policy has to be approved by Management. Any changes to the policy has to be approved by Legal and Compliance.

## 6.Non-compliance and Consequence

Violation of this policy is subject to disciplinary action, up to and including termination.