

# **Capital Small Finance Bank Limited**

## ***CSFB Limited – Employees Stock Option Plan for Material Risk Takers***

### ***“CSFB ESOP for MRTs”***

Updated up to September 23, 2021

#### **CAPITAL SMALL FINANCE BANK LIMITED**

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## **ARTICLE 1**

### **NAME AND OBJECTIVES OF THE PLAN**

- 1.1 The Plan shall be called the CSFB Limited - Employee Stock Option Plan for Material Risk Takers ('CSFB ESOP for MRTs' or 'the Plan' or 'the Scheme').
- 1.2 In today's competitive world, Material Risk Taker ('MRT') are most important resource and asset for the Company. Capital Small Finance Bank Limited ('the Company') fully recognizes the above fact and wants its MRTs to participate and share the fruits of growth and prosperity along with the Company. The Company has a vision of being the preferred partner of choice for all its stakeholders i.e. employees, MRTs, clients, government and society.
- 1.3 The objectives of the Plan are:
  - i. To pay variable portion of the remuneration in consonance with the 'Compensation Policy of Employees including Managing Director & Chief Executive Officer, Whole Time Directors & Material Risk Takers' ('Compensation Policy') as approved by the Board from time to time;
  - ii. To motivate MRTs with incentives, inspire loyalty and reward opportunities;
  - iii. To create a sense of ownership and participation amongst MRTs; and
  - iv. To achieve sustained growth of the Company and the creation of Shareholder value by aligning the interests of the MRTs with the long term interests of the Company.
- 1.4 This document sets out the features of the Plan, the benefits accruing to MRTs under this Scheme, the duties and responsibilities of the beneficiaries as also the procedures to be followed. The document shall serve as a reference for the administration of the Plan. This document should be carefully read and understood and the procedures prescribed diligently observed for availing the benefits under the Plan.

## ARTICLE 2

### DEFINITIONS AND INTERPRETATIONS

#### 2.1. Definitions

The terms defined in this Plan shall for the purposes of this Plan, have the meanings specified herein and terms not defined shall have the meanings as defined in the Banking Regulation Act, 1949; Reserve Bank of India Act, 1934; the Companies Act, 2013; or in any statute or re-enactments hereof, as the case may be.

**2.1 Applicable Law** means the legal statutes, to the extent applicable to stock options, including, but not limited to, the Income-tax Act, 1961; Companies Act, 2013; Banking Regulation Act, 1949, regulations of the Securities and Exchange Board of India, particularly in connection with or after Listing, including the SEBI SBEB & SE Regulations; and the rules/ guidelines/ notifications issued there under, and any modifications or re-enactments thereof.

**2.2 Board of Directors / Board** shall mean the board of directors of the Company incorporated in accordance with Applicable Laws.

**2.3 Change in Control** shall inter-alia cover:

- i. Company's merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution;
- ii. Company's sale, lease or exchange of all or substantially all of the assets or undertaking;
- iii. adoption by the Company's Shareholders of a plan of liquidation, dissolution or winding up;
- iv. 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; and
- v. any other event, which in the opinion of the Board has a material impact on the Company's business or as defined under the applicable laws.

**2.4 Company** means Capital Small Finance Bank Limited, a company incorporated in India under the provisions of the Companies Act, 1956 having its principal office at Midas Corporate Park, 3<sup>rd</sup> Floor, 37, G.T. Road, Jalandhar, Punjab-144001 and its successors and assigns.

**2.5 Control** shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policy decisions of a Person or persons acting individually or in concert, directly or indirectly, whether through the ownership of voting Securities or by contract, and includes:

- (i) ownership directly or indirectly of more than 50% (fifty per cent) of the Shares in issue or other equity interests of such Person, or
- (ii) possession directly or indirectly of more than 50% (fifty per cent) of the voting power of such Person, or
- (iii) ability to appoint majority of the Directors on the Board of Directors; or
- (iv) management rights or shareholders agreements or voting agreements or in any other manner.

The expressions 'Controls', 'Controlling' and 'Controlled' shall be construed accordingly, (as may be applicable);

**2.6 Corporate Action** means one of the following events:

- (i) Rights / Bonus issue;

- (ii) Reorganization of the Shares;
  - (iii) Restructuring of the Company, including merger, sale of division etc;
  - (iv) Other reorganization of the Company in which the Shares are converted into or exchanged for:
    - a different class of Securities of the Company; or
    - any Securities of any other issuer; or
    - cash; or
    - other property.
- 2.7 Director** shall mean a director appointed on the Board from time to time in accordance with the provisions of Applicable Law and the Articles of Association of the Company.
- 2.8 Employee Stock Option Agreement** means the agreement between the Company and the MRTs, containing the terms and conditions specific to the employee's stock options. The Employee Stock Option Agreement will be subject to the terms and conditions of the Plan.
- 2.9 Exercise** means submission of an application by the MRT for allotment of Shares, in respect of the Options vested in him under the Plan, along with the Exercise Price payable for the Shares.
- 2.10 Exercise Date** means the date on which the MRT elects to Exercise the Options.
- 2.11 Exercise Period** means the period within which the MRT may elect to Exercise the Options vested with him, and as defined in Article 10 of the Plan.
- 2.12 Exercise Price** means the price payable by the MRT for the Exercise of the Options granted under the Plan. This price shall be face value of the equity shares at the time of Grant of Options/Vesting, in accordance with the Reserve Bank of India's guidelines as applicable from time to time. Provided that on Listing, exercise price shall be in compliance with the accounting standards specified under the SEBI SBEB & SE Regulations, including any 'Guidance Note on Accounting for employee share-based Payments' issued in that regard from time to time.
- 2.13 Grant** means any Options granted pursuant to the Plan.
- 2.14 Grant date** means the date specified in the Employee Stock Option Agreement on which Grant is made by the Nomination & Remuneration Committee to the MRTs under the Plan.
- 2.15 Holding Company** means a holding company of the Company, as defined under the provisions of the Companies Act, 2013.
- 2.16 Independent Director** shall have the same meaning assigned to it in sub-section (5) of section 149 of Companies Act, 2013 and in accordance with relevant provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 2.17 Insider** means any person who is a connected person as defined under Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 or is deemed to have been connected with the Company, and who is reasonably expected to possess, have access, connection to unpublished price sensitive information in respect to Company or Securities of the Company, or who has received or has had access to such unpublished price sensitive information.
- 2.18 Listing** means listing of the Shares on any recognized stock exchange.

- 2.19 Material Risk Takers (MRTs)** shall have the same meaning as assigned to it in the Compensation Policy, as updated from time to time.
- 2.20 Nominee** means any person appointed by the MRT as provided in Article 16.8 of the Plan.
- 2.21 Nomination & Remuneration Committee** means the ‘Nomination & Remuneration Committee’ of the Company, formed in accordance to the section 178 of the Companies Act, 2013, under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and RBI guidelines issued for this purpose (as amended from time to time), tasked with the responsibility of administration, implementation and superintendence of the Plan, under Article 6 of the Plan.
- 2.22 Option** means the right, without any obligation, granted to the MRT to subscribe to Shares or any Resultant Shares upon such terms and conditions as may be specified in the Plan.
- 2.23 Permanent Disability** means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps the MRT from performing any specific job, work or task which the said MRT was capable of performing immediately before such disablement, as determined by the Board based on a certificate of a medical expert identified by such Committee.
- 2.24 Permanent Employee** means the permanent employees who are on payroll of the Company, excluding those on a probation basis.
- 2.25 “Person”** shall include an individual, an association, a corporation, a partnership, a limited liability partnership, a joint venture, a trust, Hindu undivided family, an unincorporated organization, a joint stock company or other entity or organization, including a government or political subdivision, or an agency or instrumentality thereof and any other legal entity;
- 2.26 “Plan”** means the ‘CSFB Limited - Employee Stock Option Plan for Material Risk Takers’ (‘CSFB ESOP for MRTs’) as set out herein and shall include any modification and variations thereof.
- 2.27 “Principal Business”** means the business which the Company conducts pursuant to and in terms of the SFB License;
- 2.28 Promoter** shall have the same meaning as assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- 2.29 Promoter Group** shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. ..
- 2.30 Resultant Shares** mean the Shares or other Securities issued in lieu of the Company’s Shares, on any Corporate Action or any Change in Control.
- 2.31 Retirement** means retirement as per the rules of the Company.
- 2.32 SEBI SBEB & SE Regulations** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended from time to time read with all circulars and notifications issued thereunder.
- 2.33 Securities** shall mean Shares and any preferred shares, bonds, debentures, loans, warrants, options or other similar instruments or Securities which are convertible into or exercisable or exchangeable for, or which carry a right to subscribe for or purchase, Equity Shares or any

instrument or certificate representing a beneficial ownership interest in the Equity Shares, including global depositary receipts or American depositary receipts.

- 2.34 Shares** mean the equity shares of the Company and Securities convertible into equity Shares.
- 2.35 Shareholder** means a person who is registered as a shareholder in the Company's Register of Shareholders.
- 2.36 Strategic Sale** means any sale of Shares by the selling Shareholders to any individual(s), entity(ies) or group(s) other than the Promoter or Promoter Group, of more than 50% (fifty percentage) of the voting power in the Company and involving Change in Control over the affairs of the Company or in the constitution of the Board.
- 2.37 Subsidiary** shall have the meaning ascribed to it in Section 2 (87) of the Companies Act, 2013;
- 2.38 Vesting** means the process by which MRT becomes eligible to Exercise his rights to apply for the Company's Shares, pursuant to the Options granted to him under the Plan.
- 2.39 Vesting Date** in relation to an Option, means the earliest date on which the rights under the Options may be Exercised by an MRT.
- 2.40 Vesting Period** means the period during which the Vesting of the Option granted to the MRTs, in pursuance of the Plan takes place.
- 2.41 Vested Option** means an Option in respect of which the relevant Vesting conditions have been satisfied and the MRTs has become eligible to Exercise the Option.
- 2.42 Unvested Option** means an Option in respect of which the relevant Vesting conditions have not been satisfied and as such, the MRTs has not become eligible to Exercise the Option.

## **II) Interpretations**

In this document, unless the contrary intention appears:

- a) the singular includes the plural and vice versa;
- b) any word or expression importing the masculine, feminine or neuter genders only, shall be taken to include all three genders.
- c) "words and expressions used and not defined in this Plan but defined in any act applicable on the Company shall have the meanings respectively assigned to them in those acts, specifically Companies Act and the SEBI SBEB & SE Regulations."

## **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, if any, 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 3**  
**IMPLEMENTATION**

The Plan shall be implemented by the Nomination & Remuneration Committee under the Compensation Policy and framework laid down by the Company's Board of Directors.



**ARTICLE 4**  
**EFFECTIVE DATE AND PLAN DURATION**

- 4.1 The Plan shall come into force with effect from April 01, 2021.
- 4.2 The Grants shall be made as per the Compensation Policy of the Bank.
- 4.3 The Plan shall be in force: (a) till its termination by the Company as per provision of the Applicable Law, or (b) until all Options granted under the Plan have been exercised or have expired by reason of lapse of time, whichever is earlier.
- 4.4 If any Options granted under the Plan are terminated/ forfeited/ lapsed under the provisions of the Plan, such Options shall be available for further grants in future.
- 4.5 The plan shall update from time to time to be in consonance with the Compensation Policy (as amended from time to time) and subject to terms of this Plan.

**ARTICLE 5**  
**SHARES AVAILABLE UNDER THE PLAN**

- 5.1 Shares used for purposes of the Plan may be Shares of authorized but un-issued common stock.
- 5.2 Under the Plan, the Company has ear-marked 1,00,000 Shares (0.29% of the paid-up capital) to be offered as Options to the MRTs.
- 5.3 Under the Plan, Nomination and Remuneration Committee shall decide the number of shares to be offered as Options to each MRT as per the guidelines laid down in the Compensation Policy of the Bank.

## **ARTICLE 6**

### **NOMINATION & REMUNERATION COMMITTEE**

- 6.1 The Company will delegate administration, implementation and superintendence of the Plan to the Nomination & Remuneration Committee (also known as 'the Committee' under the Plan) of the Company.
- 6.2 Subject to the terms of the Plan, the powers of the Nomination & Remuneration Committee with respect to the Plan, inter alia, include the power to:
- 6.2.1 Determine the MRTs eligible to participate in the Plan.
  - 6.2.2 Assess the performance of an MRT for granting of the Options.
  - 6.2.3 Determine the number of Options to be granted, to each MRT and in the aggregate, and the times at which such grants shall be made in sync with the Compensation Policy.
  - 6.2.4 Lay down the conditions under which Options may vest to MRT and may lapse in case of termination of employment for misconduct.
  - 6.2.5 Determine the Exercise Period within which the MRT can Exercise the Options and that Options would lapse on failure to Exercise the same within the Exercise Period;
  - 6.2.6 Determine the specified time period within which the MRT shall Exercise the Vested Options in the event of termination or resignation.
  - 6.2.7 Provide for the right of an MRT to Exercise all the Options vested in him at one time or at various points of time, within the Exercise Period.
  - 6.2.8 Lay down the procedure for making a fair and reasonable adjustment to the number of Options and to the Exercise Price, in case of Change in Capital Structure and/or Corporate Action. In this regard, the following shall, inter alia, be taken into consideration by the Committee:
    - a. the number of Options shall be adjusted in a manner, such that, total value to the MRT of the Options remains the same after the Corporate Action;
    - b. the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the MRT(s) who is granted such Options;
  - 6.2.9 Provide for the Grant, Vesting and Exercise of Options in case of MRT(s) who are on long leave or whose services have been seconded to any other Company, by the Company.
  - 6.2.10 Lay down the procedure for cashless Exercise of Options, if any, in accordance with Applicable Laws.
  - 6.2.11 Determine the lock-in period for the Shares issued, pursuant to Exercise of Option.
  - 6.2.12 Determine the procedure for funding the Exercise of Options.
  - 6.2.13 The procedure for buy-back of specified securities issued under SEBI SBEB & SE Regulations, if to be undertaken at any time by the Company, and the applicable terms and conditions, including: (i) permissible sources of financing for buy-back; (ii) any minimum financial thresholds to be maintained by the company as per its last financial statements; and (iii) limits upon quantum of specified securities that the Company may buy-back in a financial year.

- 6.2.14 Accelerate the Vesting Period of the Options granted under the Plan, provided such acceleration shall be in accordance with the Applicable Laws.
- 6.2.15 To Exercise such rights and to do such acts, as may be necessary or expedient in connection with the implementation, administration and superintendence of the Plan.
- 6.3 The number of members of the Nomination & Remuneration Committee, their powers and functions shall be as per Compensation Policy of the Company, and can be varied, altered or modified from time to time by the Board of Directors, subject to such rules and regulations as may be in force.
- 6.4 The decision of the Nomination & Remuneration Committee will be final and binding in respect of the Plan. If the members of the Nomination & Remuneration Committee are evenly divided on any issue, then the Chairman of the Nomination & Remuneration Committee will have the second or casting vote.
- 6.5 No member of the Nomination & Remuneration Committee shall be personally liable for any decision or action taken in good faith with respect to the Plan.
- 6.6 A member of the Nomination & Remuneration Committee shall abstain from participating in and deciding any matter relating to granting of any Option to him.
- 6.7 The Nomination & Remuneration Committee shall frame suitable policies and procedures to ensure that there is no violation of any securities laws applicable on the Company from time to time.

**ARTICLE 7**  
**MRTs**

The Nomination & Remuneration Committee, based on the Compensation Policy and various criteria (which shall be decided from time to time) shall determine the MRTs in the beginning of each year for a Grant under the Plan and the terms and conditions thereof.

Any new addition to the MRTs during the year either by way of new recruitment or change of role will be assessed by the NRC in the subsequent meetings

If any MRT is barred by statute or regulation from grant of Share-linked Instruments (as defined in Compensation Policy), he shall not be eligible for ESOP under the Plan.

**ARTICLE 8**  
**GRANT OF OPTIONS**

- 8.1 The Nomination & Remuneration Committee shall Grant Options in the first quarter of each financial year to one or more MRTs, which may include recurring Grants to the same MRTs.
- 8.2 A Grant agreed to be made to a prospective MRT, upon the condition that such person becomes a Permanent Employee, shall be deemed to have been granted effective on the date as specified in the employment contract or he becoming a Permanent Employee, whichever is later.
- 8.3 The Exercise Price shall be the face value of the shares.
- 8.4 The Grant shall be in writing and shall specify the number of Options granted, the Exercise Price, the earliest date on which some or all of the Options and the Shares acquired under the Grant shall be eligible for Vesting, Exercise Period and the other terms and conditions thereto.
- 8.5 The MRT shall not assign, transfer, pledge or hypothecate his rights or obligations relating to the Options, to any third party. The Option shall be exercisable by such MRT only or in case of death or Permanent Disability of MRT, by the MRT's Nominees or authorised legal representative or legal heirs as specified in the Plan.

## **ARTICLE 9**

### **VESTING OF OPTIONS**

- 9.1 There would be a minimum Vesting Period of one year from the date of Grant. Provided that, as specified in Article 9.6, in case of death or Permanent Disability, the minimum Vesting Period of one year shall not apply after the Listing of the Company.
- 9.2 In a case where Options are granted by a Company under the Plan in lieu of Options held by the same person under an Employees Stock Option Scheme in another Company, which has merged or amalgamated with the Company, the period during which the Options granted by the merging or amalgamating Company were held by him, shall be adjusted against the minimum Vesting Period of one year.

The Vesting Period and other conditions for Vesting shall be as decided by the Nomination & Remuneration Committee in sync with the Compensation Policy of the Bank at the time of Grant of Options.

- 9.3 An Option vested in an MRT shall entitle him to apply for the share within the Exercise Period and at the Exercise Price.
- 9.4 On the earliest date on which any Option is eligible for the Vesting or immediately thereafter, such number or percentage of the Options as may be specified in the Grant letter shall vest in the MRT, on an automatic basis, shall be deemed to have so vested and accordingly the MRTs shall, subject to fulfillment of any other condition as may be specified under the Plan, be eligible to Exercise the said Options.
- 9.5 The Nomination & Remuneration Committee in its absolute discretion may permit the Options granted, including Unvested Options to be exercised within such time, subject to such terms and conditions, as it may determine.
- 9.6 In case the service of MRT who has been granted Options is terminated due to Retirement:
- (a) Prior to Listing: The Options granted which have not Vested, will not expire and continue to Vest in accordance with respective Vesting schedules as per Company's policies. Further, Employee shall be eligible to Exercise all the Vested Options within 30 days of his Retirement or such extended period as decided by the Nomination & Remuneration Committee.
  - (b) Post the Listing: The Options granted which have not Vested, will not expire, and continue to Vest in accordance with respective Vesting schedules as per Company's policies and as specified in the Employee Stock Option Agreement.
- 9.7 In the event of any MRT:
- i) dying whilst in the employment or engagement of the Company; or
  - ii) becoming totally and permanently disabled,

all the Options, granted to him under the Plan till such date shall vest in the legal heirs or Nominees of the deceased MRT or to himself. It is hereby clarified that post the Listing of the Company, the cliff period of 1 (one) year as regards Vesting will not apply in case of death or Permanent Disability. Further, the Company shall formulate appropriate policy in accordance with Applicable Laws as regards the Options granted in case of death or Permanent Disability in accordance with the Applicable Laws.

**ARTICLE 10**  
**EXERCISE OF OPTIONS**

- 10.1 Exercise Period shall be as decided by Nomination and Remuneration Committee from the date of Vesting of the Options.
- 10.2 The MRT may, at any time during the Exercise Period, and subject to fulfilment of conditions of the Grant, Exercise the Options by submitting an application to the Nomination & Remuneration Committee, to allot Shares to him pursuant to the Exercise of the Vested Options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such Options. In the event of Exercise of Options resulting in fractional Shares, the Nomination & Remuneration Committee shall be entitled to round off the number of Shares to be issued to the adjusted nearest whole number, and Exercise Price shall be correspondingly adjusted.
- 10.3 Except as otherwise provided, payment of the Exercise Price for the Shares to be acquired pursuant to any Options shall be made either by:
- (i) cheque payable at Jalandhar or
  - (ii) the MRT's authorize to the Company to deduct such amount from his salary due and payable, or
  - (iii) such other consideration as may be approved by the Board from time to time to the extent permitted by Applicable Law, or
  - (iv) a combination of any of the abovementioned methods.
- 10.4 The Nomination & Remuneration Committee is entitled to specify such period(s) during which the Options may be permitted to be exercised.
- Provided however that in case of cessation of employment, the MRT shall be entitled to Exercise the Options in accordance with the provision of Article 12, notwithstanding the Exercise dates specified hereinabove in this sub-article, but subject to the provisions of any law or regulation at the time being in force.
- 10.5 The Shares allotted upon the Exercise of an Option will rank *pari passu* in all respects with the then existing issued Shares of the Company.



**ARTICLE 11**  
**DIVIDEND**

- 11.1 The MRTs shall not have a right to receive any dividend or to vote or in any manner enjoy the benefits of a Shareholder in respect of Option granted to them, till Shares are issued on Exercise of Option.
- 11.2 An MRT shall be entitled to receive any dividends declared by the Company in respect of the Shares issued, pursuant to the Options granted to him, provided that the MRT has exercised the Options and has become a registered Shareholder of the Company.

**ARTICLE 12**  
**CESSATION OF EMPLOYMENT**

- 12.1 Continuation of service shall be a pre condition for Vesting of Granted Options, except as provided under Applicable Laws.

In the event MRT is terminated due to Cause, as defined under the Employee Separation Policy of the even date, the Unvested Options and Vested Options shall be dealt with as specifically provided in the Compensation Policy.

The cessation of employment due to retirement or superannuation shall not be covered by Clause 12 after Listing, and such options, granted to an Employee would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the company's policies and the applicable law.

- 12.2 If an MRT's employment with the Company terminates due to:

- (i) Death;
- (ii) Permanent Disability;

the Options shall be treated in the manner specified in Article 9.7, and can be exercised in the manner specified in terms of Company's policies.

## **ARTICLE 13**

### **EXIT ROUTE FOR MRTs**

#### **13.1 Shares are not listed on a recognised stock exchange in India**

The following routes will be available to the MRTs till the time the Company's Shares are listed on a recognised stock exchange:

##### **13.1.1 Participate in Strategic Sale**

The Shareholders of the Company, not being MRTs holding Shares resulting from Exercise of Vested Options ('Option holders'), shall give an option to the Option holders to tag-along any or all the Shares of the Option holders. However, this tag-along shall be on terms not less favorable than those of the sale of the Shares held by the selling Shareholders as more particularly mentioned hereunder.

- The selling Shareholders shall deliver a written offer ("Offer letter") to each Option holder setting out the salient features of the Strategic Sale and details of the terms and conditions including number of Shares to be tagged-along, number of Vested Options to be exercised, the period within which the Vested Options shall be exercised, price per share, the manner and mode of transfer of Shares.
- Option holders shall Exercise so much of Vested Options to the extent of number of Shares being specified in the Offer letter in case Shares already held fall short of specified number of Shares and shall have option to sell the Resultant Shares along with Shares already held as per terms of the Offer letter. Each Option holder shall take all necessary and desirable actions in connection with the completion of the Strategic Sale, including executing agreements and instruments and taking other actions as may be reasonably necessary to provide the representations, warranties, indemnities, covenants, conditions and other provisions and agreements, as the case may be, required to complete the Strategic Sale.

However, in case an Option holder does not intend to tag along any or all the Shares/ Vested Options stated in the notice, he/she can continue to hold the Shares and Exercise the Vested Options as per the Exercise Period.

##### **13.1.2 Sale of Shares to third parties**

The MRT, who desires to sell the Shares, may sell the Shares to any person other than the persons engaged in Principal Business activities of the Company, subject to the terms and conditions of the Plan.

#### **13.2 Shares listed on a recognised stock exchange in India**

Once the Shares are listed on a recognised stock exchange in India, the Option holder shall be free to sell the Shares in the market, subject to the terms and conditions of the Plan.

#### **13.3 Cash Settlement of Vested Options**

Without prejudice to mentioned above, the Nomination and Remuneration Committee at its discretion, without any obligation, shall have the right to offer to Option holder cash settlement against the Vested Options, in accordance with Applicable Laws.

- The Company in this regard can fund or permit the empanelled stock brokers to make suitable arrangements to fund the MRT for payment of Exercise Price, the amount necessary to meet his/her tax obligations and other related expenses pursuant to Exercise of Options granted and such amount shall be adjusted against the sale proceeds of some or all the Shares of such MRT.

**ARTICLE 14**  
**CORPORATE ACTION OR CHANGE IN CONTROL**

- 14.1 A Grant made under the Plan shall be subject to adjustment by the Nomination & Remuneration Committee at its discretion as to number of Options, Exercise Price of Options, the time period of Vesting or Exercise as the case may be, in the event of 'Corporate Action' or 'Change in Control' as defined herein.
- 14.2 The existence of the Plan 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 'Corporate Action' or any 'Change in Control' including any issue of Shares, debt or other Securities having any priority or preference with respect to the Shares or the rights thereof.
- 14.3 If there is a 'Corporate Action' before the Options granted under this Plan are exercised, the MRT 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 Options not exercised by him had been exercised by him before such 'Corporate Action' had taken place and the rights under the Options shall stand correspondingly adjusted.
- 14.4 The Shares in respect of which the Options are granted, are Shares as presently constituted. However, if prior to the expiry of the Exercise Period there is a 'Corporate Action', the number of Shares with respect to which the Options may thereafter be exercised shall, in the event of:
- (i) an increase in the number of Resultant Shares, be proportionately increased, and the Exercise Price, be proportionately reduced.
  - (ii) a reduction in the number of Resultant Shares, be proportionately reduced, and the Exercise Price, be proportionately increased.

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

- 14.5 Where the Company makes a further issue of capital upon which all or any of the existing Shareholders of the Company are offered a right to subscribe for the further issue of capital at a price lower than the Market Price, (hereinafter called "the Rights Issue"), the MRT would be entitled to subscribe pro-rata to the additional Shares on the same terms and conditions as the right issue, as if all the Options not exercised by him had been exercised by him before such 'Corporate Action', had taken place

In case of Corporate Action/ Change in Control, the decision of the Nomination & Remuneration Committee shall be final and binding.

**ARTICLE 15**  
**AMENDMENT OR TERMINATION OF THE PLAN**

- 15.1 The Board of Directors in its absolute discretion may from time to time amend, alter or terminate the Plan or any Grant or the terms and conditions thereof, provided that no amendment, alteration or termination in any Grant previously made may be carried out, which may be detrimental to the interest of the MRTs.

Provided further, that the Board will not, without the approval of the shareholders, amend the Plan to increase the aggregate number of shares, which may be issued pursuant to the provisions of the Plan on Exercise or surrender of options or upon grants, except as otherwise stated elsewhere in the Plan. Post the Listing, the Board or the Nomination and Remuneration Committee may revise any of the terms and conditions of this Plan to meet any regulatory requirement without seeking Shareholders' approval.

- 15.2 Without prejudice to the above, the Board of Directors may, without any reference to or consent of the MRT concerned, amend the Plan or Grant or make any agreement, to comply with any law, regulation or guideline, which is or may hereinafter, become applicable to the Plan.

## **ARTICLE 16**

### **GENERAL**

#### **16.1 No right to a Grant**

Neither the adoption of the Plan, nor any action of the Board of Directors or Nomination & Remuneration Committee, shall be deemed to give MRTs any right to be granted any Option to acquire Shares or to any other rights hereunder, except as may be evidenced by an Employee Stock Option Agreement, duly executed between the Company and the MRTs.

#### **16.2 General risks**

Participation in the Plan shall not be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the market price of the equity and the risks associated with the investment are that of the MRTs' alone.

#### **16.3 No employment rights conferred**

Nothing contained in the Plan or in any Grant made hereunder shall:

- (i) Confer upon any MRT any right with respect to continuation of employment or engagement with the Company, or
- (ii) Interfere in any way with the right of the Company to terminate employment or services of any MRT at any time.

#### **16.4 Tax deduction/ recovery**

The Company shall have the right to deduct/ recover all taxes payable either by itself or by the MRT, in connection with all Grants/ Options/ Shares under the Plan, by way of deduction at source from salary and, in addition, to require any payments necessary to enable it to satisfy such obligations.

The MRT will also, as a condition of the Plan, authorise the Company or its Nominee to sell such number of Shares, as would be necessary, to discharge the obligation in the respect of such taxes and appropriate the proceeds thereof on behalf of the MRT.

#### **16.5 No restriction on Corporate Action or Change in Control**

The existence of the Plan 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 authorise any 'Corporate Action' or 'Change in Control' including any issue of Shares, debt or other Securities having any priority or preference with respect to the Shares under the Plan or the rights thereof.

Nothing contained in the Plan shall be construed to prevent the Company from taking any 'Corporate Action' or 'Change in Control', whether or not such action would have an adverse effect on the Plan or any Grant made under the Plan. No MRT or other person shall have any claim against the Company or the new Company/ new entity that is formed or takes over a part of whole of the business of the Company, as a result of such action.

In case the 'Corporate Action' or 'Change in Control' has an adverse effect on the MRT who are granted the Options under this Plan, they shall either be granted fresh Options or the existing Options shall be split, to compensate for the adverse effect.

#### **16.6 Dissolution or liquidation**

In the event of a dissolution or liquidation, the Nomination & Remuneration Committee shall inform each MRT, as soon as practicable/ permissible under Applicable Laws, of the same. The Nomination & Remuneration Committee shall take necessary steps to safeguard the interest of the MRTs.

#### **16.7 Confidentiality**

The MRT shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Plan, Grant, the Employee Stock Option Agreement or any connected matter. Any violation may result in cancellation of Grant (including Vested Options), without prejudice to the other action which may be taken in this regard.

16.8 Nomination of beneficiary

The MRT may appoint any person(s) as Nominee(s) for the purpose of exercising the rights on his death/ Permanent Disability, subject to the terms and conditions of the Plan. The MRT shall appoint such Nominee(s) by submitting a letter in the form specified by the Nomination & Remuneration Committee in this regard. The MRT has the right to revoke/ change such nomination. The Nominee(s) shall alone be entitled to Exercise the rights of the MRT concerned in the event of the death/ Permanent Disability of the MRT.

16.9 Insider trading

The MRT shall ensure that there is no violation of:

- (a) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015
- (b) Other applicable restrictions for prevention of Fraudulent and/or Unfair Trade Practices relating to the securities market.

The Nomination & Remuneration Committee shall be entitled to frame such rules and regulations as may be necessary to ensure that there is no violation of the above referred regulations.

The MRT shall keep the Company or the Board or the Nomination & Remuneration Committee, fully indemnified in respect of any liability arising for violation of the above provisions.

16.10 New Employee Stock Option Plans

Nothing contained in the Plan shall be construed to prevent the Company from implementing another Employee Stock Option Plan, directly or through any Trust settled by Company, which is deemed by the Company to be appropriate or in its best interest, provided such other action would not have any adverse impact on the Plan or any Grant made under the Plan. No MRT or other person shall have any claim against the Company and/or Trust as a result of such action.

16.11 Shareholders' approval

After the Listing, the Company shall make the fresh grant only after the Plan is ratified by the shareholders in terms of the Applicable Laws. .

16.12 Notice and correspondences

Any notice required to be given by, or any correspondence from MRTs to the Company/ Nomination & Remuneration Committee, may be given at the Company's registered office, or such other address as may be notified in writing.

16.13 Disputes

Any disputes or differences of any nature arising hereunder shall be referred to the Nomination & Remuneration Committee and its decision shall be final and binding in all respects. If the members of the Nomination & Remuneration Committee are evenly divided on any issue, then the Chairman of the Nomination & Remuneration Committee shall have a second or casting vote.

16.14 Restriction of transfer of Option

An Option granted under the Plan shall not be transferable and shall be exercisable during the Exercise Period by MRT only or in case of his death, by his legal heirs. An Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

16.15 Plan severable

The Plan 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 the Plan being held to be a violation of any Applicable Law, statute or regulation the same shall be severable from the rest of the Plan and shall be of no force and effect and the Plan shall remain in full force and effect as if such term, condition or provision had not originally been contained in the Plan.

16.16 Arbitration

All disputes arising out of or in connection with the Plan or the Grant shall be referred to for arbitration in accordance with the provisions of the Arbitration and Conciliation Act, 1996. The place of Arbitration shall be Jalandhar, Punjab, India.

16.17 Governing laws

The Plan shall be construed in accordance with the laws of India and subject to the jurisdiction of Court in Jalandhar, Punjab, India only.

IN WITNESS WHEREOF THE following Directors of the Company have hereunto set their respective hand and seal on the

For Capital Small Finance bank Limited

Authorized Signatory