



Employee Stock Option Scheme 2013-A

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1. Name, Objective and Term of the ESOS 2013-A

1.1 This Scheme shall be called the "ESOS 2013-A".

1.2 The objective of the ESOS 2013-A is to give employees who are performing well a certain minimum opportunity to gain from the Company's performance, thereby acting as retention tool and to attract best talent available in the market. The Company views Employee Stock Options as instruments that would enable the Employees to share the value they create for the Company and align individual objectives of employees with objectives of the Company in the years to come.

1.3 The ESOS 2013-A is established with effect from 31st October 2013 and shall continue to be in force until (i) its termination by the Board; or (ii) the date on which all of the options available for issuance under the ESOS 2013-A have been issued and exercised.

2. Definitions and Interpretation

2.1 Definitions

- i. **"Agreement"** means the Employee Stock Option Agreement between the Company and the Employee evidencing the terms and conditions of an Option grant. The Agreement is subject to the conditions of ESOS 2013-A.
- ii. **"Applicable Laws"** means every law relating to Employee Stock Options, including, without limitation to, the Companies Act, 1956 (any modifications or re-enactments thereto), Securities Exchange Board of India Act, 1992, the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any stock exchange on which the shares are listed or quoted.
- iii. **"Board"** means the Board of Directors of the Company.
- iv. **"Change in Control"** shall mean an Ownership Change Event or a series of related Ownership Change Events (collectively, a "Transaction") wherein the stockholders of the Company immediately before the Transaction do not retain (a) ownership (whether direct or otherwise) of fifty percent (50%) or more of the equity share capital, voting capital, or the like of the Company by contract or otherwise; or (b) control of, or power to control the composition of, the board of directors or equivalent or analogous body of the Company, and "controlling" and "controlled" will have corresponding meanings."

For the purpose of this definition

An **"Ownership Change Event"** shall be deemed to have occurred if any of the following occur with respect to the Company: (i) the direct or indirect sale by the shareholders of the Company of more than fifty percent (50%) of the voting shares of the Company; (ii) a merger, consolidation, reconstitution or demerger; (iii) the sale, spin-off, exchange, or transfer of all or substantially all of the assets of the Company; or (iv) a liquidation or dissolution of the Company.

- v. **"Companies Act"** means the Companies Act, 1956 and includes any statutory modifications or reenactments thereof.
- vi. **"Company"** means "Cipla Limited" having its registered office at Mumbai Central, Mumbai 400008.
- vii. **"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 Handbook, which includes provisions for securing confidentiality, non compete and non poaching of other employees and customers.
- viii. **"Compensation Committee"** means a Committee having a majority of independent directors, constituted by the Board of Directors from time to time to administer ESOS 2013-A or any other ESOS Scheme.
- ix. **"Director"** means a member of the Board of the Company.
- x. **"Eligibility Criteria"** means the criteria as may be determined from time to time by the Compensation Committee for granting the Employee Stock Options to the employees.
- xi. **"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 sub-clauses (i) or (ii) in this Para, of a subsidiary, in India or out of India, or of a Holding Company of the Company, but excludes
 - a. an employee who is a promoter or belongs to the promoter group;
 - b. a director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the outstanding Shares of the Company.
- xii. **"Employee Stock Option" or "Option"** means the option granted to an Employee, which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date the shares underlying the option at a pre-determined price.
- xiii. **"ESOS 2013-A"** means this Employee Stock Option Scheme 2013-A under which the Company is authorized to grant Options to the Employees.
- xiv. **"ESOS Trust"** means a trust which is formed by the Company for the administration of the ESOS 2013-A, or any other scheme and which may from time to time implement the Scheme and hold cash, shares or other securities of the Company for the purposes of any of the Employee Stock Option Schemes of the Company.
- xv. **"Exercise"** of an Option means expression of an intention by an Employee to the Company to purchase or subscribe to, the Shares underlying the Options vested in him, in pursuance of the ESOS 2013-A, in accordance with the procedure laid down by the Company for exercise of Options.
- xvi. **"Exercise Period"** means such time period as defined in clause 7 (b) and (c) of the ESOS 2013A

- xvii. **"Exercise Price"** means the price payable by the Employee in order to exercise the Options granted to him as defined in Clause 7 (a) of the ESOS 2013-A.
- xviii. **"Grant"** means issue of Options to the Employees under the ESOS 2013-A.
- xix. **"Holding Company"** means any future holding company of the Company, as defined in the Companies Act.
- xx. **"Option Grantee"** means an Employee who has been granted an Employee Stock Option in pursuance of the ESOS 2013-A.
- xxi. **"Permanent Incapacity"** means any incapacity of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Option Grantee from performing any specific job, work or task which the said Employee was performing immediately before such disablement, as determined by the Compensation Committee based on a certificate of a medical expert identified by the Board.
- xxii. **"Promoter"** means (a) the person or persons who are in overall control of the company; (b) the person or persons who are instrumental in the formation of the company or programme pursuant to which the shares were offered to the public; (c) the person or persons named in the offer document as promoter(s). Provided that a director or officer of the Company, if they are acting as such only in their professional capacity will not be deemed to be a promoter.
- xxiii. **"Promoter Group"** means (a) 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); (b) persons whose shareholding is aggregated for the purpose of disclosing in the offer document "shareholding of the promoter group".
- xxiv. **"Recognised Stock Exchange"** means the BSE, NSE or any other Stock Exchange in India on which the Company's Shares are listed.
- xxv. **"SEBI Guidelines"** means the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and includes all regulations and clarifications issued thereunder.
- xxvi. **"Shares"** means equity shares of the Company arising out of the exercise of Employee Stock Options granted under the ESOS 2013 A.
- xxvii. **"Subsidiary company"** means any present or future subsidiary company of the Company, as defined in the Companies Act, 1956.
- xxviii. **"Termination of Employment"** means cessation of employment due to any of the following reasons:
 - a) Voluntary resignation by the employee from the employment;
 - b) Change in Control;

- c) Company giving notice to the employee for termination of employment, other than due to misconduct or material breach of company policies/terms of employment;
 - d) Retirement as per rules of the company;
 - e) Misconduct or material breach of company policies/terms of employment; or
 - f) Death, Permanent Incapacity.
- xxix. **"Vest" or "Vesting"** means earning by the Option Grantee, of the right to Exercise the Options granted to him in pursuance of the ESOS 2013-A.
- xxx. **"Vesting Condition"** means the conditions as described in Clause 6 of ESOS 2013-A subject to which the options granted would vest in an Option Grantee.
- xxxi. **"Vesting Period"** means the period, during which the vesting of the Option granted to the Option Grantee, in pursuance of ESOS 2013-A takes place.
- xxxii. **"Vested Option"** means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option.
- xxxiii. **"Unvested Option"** means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to exercise the Option.

2.2 Interpretation

In this Scheme, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant to interpretation;
- b) a reference to a clause number is a reference to its sub-clauses;
- c) words in singular number include the plural and vice versa;
- d) words importing a gender include any other gender and
- e) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference.

3. Authority and Ceiling

- 3.1 The Shareholders at its meeting on 22nd August 2013 resolved to issue to employees under ESOS 2013-A scheme, not more than 8,444,528 options convertible into 8,444,528 shares of face value of Rs. 2/-each fully paid-up, with each such option conferring a right upon the employee to be issued one equity share of the Company, in accordance with the terms and conditions of such issue.
- 3.2 If an Employee Stock Option expires or becomes un-exercisable due to any reason, it shall become available for future Grants, subject to compliance with all Applicable Laws. The Compensation Committee will have powers to re-grant such Options.
- 3.3 Where Shares are issued consequent upon exercise of an Employee Stock Option under the ESOS 2013-A, the maximum number of Shares that can be issued under ESOS 2013-A as referred to in Clause 3.1 above will stand reduced to the extent of such Shares issued.

- 3.4 In case of a share-split where the face value of the shares of the Company is reduced below Rs. 2/-, the maximum number of shares available for being granted under ESOS 2013-A shall stand modified accordingly, so as to ensure that the cumulative face value (No. of shares X Face value per share) prior to such split remains unchanged after the share split. Thus, for instance, if the face value of each share is reduced to Re. 1, the total number of shares available under ESOS 2013-A would be 16,889,056 equity shares of Re. 1 /- each.
- 3.5 In case of a consolidation where the face value of the shares of the Company is increased above Rs.2/-, the maximum number of shares available for being granted under ESOS 2013-A shall stand modified accordingly, so as to ensure that the cumulative face value (No. of shares X Face value per share) prior to such consolidation remains unchanged after the share consolidation. Thus, for instance, if the face value of each share is increased to Rs. 4, the total number of shares available under ESOS 2013-A would be 4,222,264 equity shares of Rs. 4/each.

4. Administration

- 4.1 The ESOS 2013-A shall be administered by the Compensation Committee. All questions of interpretation of the ESOS 2013-A shall be determined by the Compensation Committee and such determination shall be final and binding upon all Option grantees having an interest in the ESOS 2013-A.
- 4.2 The Compensation Committee shall in accordance with this Scheme and Applicable Laws, determine the following:
- (a) The quantum of Options to be granted under the ESOS 2013-A per Employee, subject to the ceiling as specified in Para 3.1;
 - (b) The procedure for making a fair and reasonable adjustment in case of corporate actions such as merger, sale of division, stock split, consolidation, rights issues, bonus issues and others;
 - (c) The procedure for Exercise of options and allotment of Shares in pursuance of the ESOS 2013-A;
 - (d) The procedure and terms for the Grant, Vest and Exercise of Employee Stock Option in case of Option Grantees who are on long leave;
 - (e) the procedure for Vesting in case of Termination of Employment, as defined in clause 2. 1 (xxvii), if required; and
 - (f) The procedure for Formation of ESOP Trust and implement ESOS 2013-A through ESOS Trust, if required;
 - (g) The procedure for cashless exercise of Employee Stock Options, if required;
 - (h) Approving forms, writings and/or agreements for use in pursuance of the ESOS 2013-A.

5. Eligibility and Applicability

- 5.1 Only Employees are eligible for being granted Employee Stock Options under ESOS 2013-A. The specific Employees to whom the Options would be granted and their eligibility criteria would be determined by the Compensation Committee.
- 5.2 The Scheme shall be applicable to the Employees of the Company, its Subsidiary companies in India and abroad, its holding Company and any successor company thereof and may be granted to the Employees and Directors of the Company, its subsidiaries and its holding company, as determined by the Compensation Committee on its own discretion.

6. Vesting Conditions

Options granted under ESOS 2013-A would vest not earlier than one year and not later than two years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company or its holding or subsidiary company(s), as the case may be and thus the options would vest on passage of time.

In addition to this, the Compensation Committee may also specify certain performance parameters subject to which the options would vest. The specific vesting schedule and conditions subject to which vesting would take place would be outlined in the document given to the option grantee at the time of grant of options.

7. Exercise Price and Period

- a) The Exercise Price shall be equal to face value of shares of the Company i.e Rs. 2/- per option.

Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company, or in such other manner as the Compensation Committee may decide.

- b) The Employee Stock Options granted may be exercised by the Option grantee at any time within a period of five years from the date of Vesting of the respective Stock Options. The shares issued upon exercise of options shall be freely transferable and will not be subject to any lock-in period after such exercise.

- c) The Option's can be exercised as per the provisions outlined in the table below:

| | | Vested* | Unvested* |
|----|--|--|--|
| 1. | Resignation / Termination (other than due to misconduct or breach of company policies / terms of employment)# | Subject to overall exercise period under Clause 7(b) all the vested Options shall be exercisable by the Option Grantee within 3 months from the date of separation from the Company. | All Unvested Options as on the last working day of the Option Grantee with Company shall stand cancelled with effect from that date. |

| | | | |
|----|---|---|--|
| 2. | Change in Control | All the Vested Options as on the date of Change in Control shall be exercisable by the Option Grantee before his last working day with the Company. | Unless otherwise determined by the Compensation Committee whose determination will be final and binding, on the date of Change In Control all Unvested Options shall vest immediately (subject to lock in period of one year as specified in Clause 6) and shall be exercisable within 90 days from the change in control |
| 3. | Termination / Separation due to misconduct, breach of company policies / terms of employment[#] | All Vested Options which were not exercised at the time of such termination / separation shall stand cancelled with effect from the date of such termination / separation. | All Unvested Options on the date of such termination / separation shall stand cancelled with effect from the termination / separation date. |
| 4. | Retirement / Early Retirement approved by the Company[#] | Subject to overall exercise period under Clause 7(b), all Vested Options can be exercised by the Option Grantee immediately after, but in no event, later than six months from the date of such retirement | Subject to minimum vesting period of one year under Clause 6, all Unvested Options as on the date of such retirement shall vest immediately and can be exercised by the Option Grantee immediately after, but in no event, later than six months from the date of such vesting. |
| 5. | Death | All vested Options may be exercised by the Option Grantee's nominee or legal heirs immediately after, but in no event later than six months from the date of such Death. | All the Unvested Options as on the date of death shall vest immediately and may be exercised by the Option Grantee's nominee or legal heirs immediately after, but in no event later than six months from the date of Death. |
| 6. | Termination due to Permanent Incapacity | All Vested Options may be Exercised by the Option Grantee is himself, unable to exercise due to such incapacity, the nominee or legal heirs, immediately after, but in no event later than six months from the date of such incapacity. | All Unvested Options as on the date of such permanent incapacity shall vest immediately and can be exercised by the Option Grantee or, if the Option Grantee is himself unable to exercise due to such incapacity, the nominee or legal heirs immediately after, but in no event later than six months from the date of such incapacity. |
| 7. | Other Reasons Apart | The Compensation | All Unvested Options on the date |

| | | | |
|--|-----------------------------------|--|---|
| | from those mentioned above | Committee will decide whether the Vested Options as on that date can be exercised by the Options Grantee or not, and such decision shall be final. | of separation shall stand cancelled with effect from that date. |
|--|-----------------------------------|--|---|

**Subject to the maximum exercise period approved by the Shareholders of the Company from the date of vesting of options.*

Amended w.e.f 3rd May, 2022

- d) In the event of transfer of an Option Grantee from the Company to the holding or subsidiary company, the Unvested Options as on the date of transfer, will continue to vest as per the schedule and be exercised by the Option grantee, subject to the compliance of the applicable laws.

8. Other Terms and Conditions

- 8.1 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Company (for example, bonus shares, rights shares, dividend, voting, etc) in respect of any Shares covered by the Grant unless the Option Grantee exercises the Employee Stock Option and becomes a registered holder of the Shares of the Company.
- 8.2 The Employee Stock Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
- 8.3 If the Company issues bonus or rights shares, the Option Grantee will not be eligible for the bonus or rights shares in the capacity of an Option Grantee. However, an adjustment to the number of options or the exercise price or both would be made in accordance with Clause 4.2(b) of ESOS 2013-A.
- 8.4 Employee Stock Options shall not be transferable to any person except in the event of death of the Option Grantee or inability to exercise due to permanent incapacity, in which case clause 7(c) would apply.
- 8.5 No person other than the Option Grantee to whom the Employee Stock Option is granted shall be entitled to Exercise the Employee Stock Option except in the event of the death of the Option Grantee or inability to exercise due to permanent incapacity, in which case clause 7(c) would apply.

9. Taxation

- i. The liability of paying taxes if any, in the Employee Stock Option granted pursuant to this Scheme and the shares issued pursuant to exercise of options shall be entirely on Option Grantee and shall be in accordance with the provisions of Income tax Act, 1961 and the rules framed thereunder.

- ii. The Company shall have the right to deduct from the employee's salary, any of the tax that it is by applicable laws, required to deduct arising in connection with the Employee Stock Options or the Shares acquired upon the Exercise thereof. The Company shall have no obligation to deliver Shares until the Company's tax deduction obligations, if any have been satisfied by the Option Grantee.

10. Authority to vary terms

The Compensation Committee may, if it deems necessary, vary the terms of ESOS 2013-A, subject to the Applicable Laws.

11. Miscellaneous

11.1 Government Regulations

This ESOS 2013-A shall be subject to all Applicable Laws, and approvals from governmental authorities.

11.2 Inability to obtain approval

The inability of the Company to obtain approval from any regulatory body having jurisdiction over the Company, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to grant the options or issue Shares.

- 11.3 Unless otherwise specified in the contract of employment, the grant of an Employee Stock Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Company give such person any right or entitlement to have an Employee Stock Option granted to him in respect of any number of shares or any expectation that an Employee Stock Option might be granted to him whether subject to any condition or at all. Notwithstanding the above, grant of Employee Stock Option shall be at the discretion of Compensation Committee.

- 11.4 Neither the existence of this Scheme nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in this Scheme by being granted an Employee Stock Option on any other occasion.

- 11.5 The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.

- 11.6 The rights and obligations of an Option Grantee under the terms of his/her contract of employment with any present or past member of the group or associated company shall not be affected by the grant of an Employee Stock Option or his participation in ESOS 2013-A.

- 11.7 The Option Grantee acknowledges and agrees that the Vesting of Options pursuant to the ESOS

2013-A is earned only by continuing as an Employee of the Company or its Holding or Subsidiary Company, as the case may be at the will of the Company. The Option Grantee further acknowledges and agrees that this Option Agreement, the transactions completed hereunder and the ESOS 2013-A do not constitute an express or implied promise of continued employment of the Option Grantee for the Vesting Period, or for any period at all, and shall not interfere with the Company's right to suspend, retrench, discipline or terminate the Option Grantee's relationship as an Employee at any time.

12. Notices

All notices of communication required to be given by the Company to an Option Grantee by virtue of this ESOS 2013-A shall be in writing and shall be sent to the address of the Option Grantee available in the records of the Company and any communication to be given by an Option Grantee to the Company in respect of ESOS 2013-A shall be sent to the attention of HR Head at the address mentioned below:

Cipla Limited
Mumbai Central,
Mumbai 400008,
Maharashtra, India

13. Governing Law and Jurisdiction

- 13.1 The terms and conditions of the ESOS 2013-A shall be governed by and construed in accordance with the laws of India.
- 13.2 The Courts of Mumbai, India shall have exclusive jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this ESOS 2013-A and the Company and all employees shall submit themselves to the jurisdiction of the Courts of Mumbai in connection with this Option Agreement.

Nothing in this Clause will however limit the right of the Company to bring proceedings against any Employee in connection with this Agreement:

- i. in any other court of competent jurisdiction; or
- ii. concurrently in more than one jurisdiction.

14. Income Tax Rules

The Income Tax Laws and Rules in force will be applicable.

15. Severability

In the event any one or more of the provisions contained in this ESOS 2013-A shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this ESOS 2013-A, but this ESOS 2013-A shall be construed as if such invalid, illegal or unenforceable provision had never been set forth herein, and the ESOS 2013-A shall be carried out as nearly as possible according to its original

terms and intent.

16. Confidentiality

Employees must keep the details of the ESOS 2013-A and all other documents in connection thereto strictly confidential and must not disclose the details with any of his peer, colleagues, co-employees or with any employee and/ or associate of the Company or that of its affiliates. In case Option Grantee is found in breach of this Confidentiality Clause, the Company has undisputed right to terminate any Agreement and all unexercised options shall stand cancelled immediately. The decision and judgment of the Company regarding breach of this Confidentiality Clause shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this clause, the Compensation Committee will have the authority to deal with such cases as it may deem fit.

The Option Grantee agrees that the Company may be required to disclose information of the option grantee during the process of implementation of the ESOS or while availing services relating to ESOS consulting, advisory services or ESOS Management services and/ or any other such incidental services. The Option Grantee hereby accords his consent that such confidential information regarding his ESOS entitlements may be disclosed by the Company to its officers, professional advisors, agents and consultants on a need to know basis.



**Cipla Employee Stock Appreciation Rights
Scheme 2021**

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Name and Objective of the Scheme

Share based benefits are an effective way of incentivising the employees and are recognized internationally, as an instrument to align interest of employees with those of the company paving way for a unified approach to the common objective of enhancing overall shareholders value creation and provide an opportunity to the employees to participate in the growth of the company and create long-term wealth. .

With an objective to align employee rewards with the Company's long-term growth, shareholder value creation and to attract, retain and motivate the best available talent, Cipla Limited intends to implement a new employee share-based incentive scheme. This Scheme shall be called the "Cipla Employee Stock Appreciation Rights Scheme 2021(Cipla ESAR Scheme 2021 / the Scheme)"

The Scheme shall come into effect from the date of its approval by the shareholders and shall continue to remain in force until (i) it is withdrawn/ suspended/ terminated by the Board/ NRC; or (ii) the date on which all ESARs available for issuance under the Scheme have been issued and exercised, whichever is earlier.

Definitions

- i. **"Act"** means the Companies Act 2013.
- ii. **"Applicable Law"** means legal requirements relating to grant of ESARs or the Scheme including but not limited to the Act, the SEBI Regulations, the SEBI (Prohibition of Insider Trading Regulations), 2015 and all relevant tax, securities, exchange control or corporate laws, rules and regulations of India and the applicable laws, rules and regulations of any other country or jurisdiction where the ESARs are granted, as shall be in place from time to time.
- iii. **"Appreciation"** means difference between the Market Price and the ESAR Price.
- iv. **"Associate Company"** shall have the meaning assigned to it under the Act.
- v. **"Board"** means the Board of Directors of the Company.
- vi. **"Company"** means Cipla Limited, a company incorporated under the laws of Republic of India, or any successor thereto.
- vii. **"Control"** shall have the same meaning as defined under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
- viii. **"Corporate Action(s)"** shall include any scheme of arrangement / amalgamation / demerger, rights issue, bonus issue, sale of division, transfer of brands, transfer of undertaking, buy-back of shares, split, consolidation of Shares, etc. undertaken by the Company.
- ix. **"Eligibility Criteria"** means the criteria as may be determined by the Nomination and Remuneration Committee for grant of ESARs to Eligible Employees, from time to time.

- x. **“Eligible Employee”** means (i) permanent employee(s) of the Company or of any Subsidiary of the Company, working in India or out of India; (ii) director(s) of the Company or of any Subsidiary, working in India or out of India, but does not include:
 - a. any employee who is a Promoter or a person who belongs to the Promoter Group;
 - b. any Independent Director of the Company or of its Subsidiaries;
 - c. director(s) who either by themselves or through their relative or through any body corporate, directly or indirectly, hold more than 10% of the outstanding equity shares of the Company.
- xi. **“Employee Stock Appreciation Right or ESAR”** means a right given to an ESAR Grantee (but no obligation) entitling him/her to receive Appreciation for a specified number of Shares of the Company where the Appreciation is, subject to the terms of the Scheme, settled in Shares upon payment of Exercise Price by the ESAR Grantee and it is hereby clarified that one ESAR shall entitle the ESAR Grantee to receive Appreciation for one Share.
- xii. **“ESAR Price”** means the volume weighted average price (VWAP) during the thirty calendar days immediately prior to the date of grant of the Shares quoted on the recognized stock exchange, on which the Shares of the Company are listed, having higher trading volume.
- xiii. **“ESAR Grantee”** means the Eligible Employee who has been granted ESARs under the Scheme.
- xiv. **“Exercise”** means making a valid application by the ESAR Grantee to the Company during the Exercise Period for all or part of the vested ESARs, subject to the terms of this Scheme, to receive Appreciation by the issue of Shares against the ESARs vested in the ESAR Grantee under the Scheme, upon payment of Exercise Price.
- xv. **“Exercise Date / Date of exercise”** means the date on which a valid application is made by the ESAR Grantee to the Company for issue of Shares against the ESARs vested under the Scheme.
- xvi. **“Exercise Period”** means such time period after Vesting within which the ESAR Grantee may Exercise the ESARs vested under the Scheme.
- xvii. **“Exercise Price”** means the price payable by the ESAR Grantee at the time of Exercise of the ESARs, as defined under Clause 4.11 under the Scheme.
- xviii. **“Grant”** means the process by which the Company issues ESARs to the Eligible Employees under the Scheme.
- xix. **“Grant Date / Date of Grant”** means the date on which the Nomination and Remuneration Committee approves grant of ESARs to Eligible Employee(s).
- xx. **“Grant Letter”** means the letter by which Grant of ESAR is communicated to the ESAR Grantee and setting out matters incidental and ancillary thereto.
- xxi. **“Independent Director”** means an independent director as defined under the Act and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

- xxii. **“Market Price”** means the closing price of the Shares (on the date immediately prior to the Date of Exercise) on the recognised stock exchange on which the Shares of the Company are listed, having higher trading volume on the date immediately prior to the Date of Exercise.
- xxiii. **“Nomination and Remuneration Committee” or “the Committee” or “NRC”** means the Nomination and Remuneration Committee or any other committee constituted by the Board of the Company, from time to time, to perform the role of the Compensation Committee under the SEBI Regulations.
- xxiv. **“Permanent Disability”** means any disability of whatsoever nature be it physical, mental or otherwise which permanently incapacitates/prevents/handicaps an Eligible Employee from performing any specific job, work or task which such Eligible Employee was capable of performing immediately before such disablement, which disablement has been certified by a medical expert identified by the Committee.
- xxv. **“Promoter”** means a promoter within the meaning of the SEBI Regulations.
- xxvi. **“Promoter Group”** means promoter group within the meaning of SEBI Regulations.
- xxvii. **“Scheme”** means this Cipla Employee Stock Appreciation Rights Scheme 2021, as amended from time to time in accordance with the terms hereof;
- xxviii. **“SEBI Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as amended from time to time and includes all circulars and clarifications issued thereunder.
- xxix. **“Subsidiary Company” or “Subsidiary(ies)”** means any present or future subsidiary company of the Company (as defined in the Act) in India or outside India.
- xxx. **“Share”** means the equity shares of the Company.
- xxxi. **“Vest” or “Vesting”** means the process by which the ESAR Grantee becomes entitled to the benefit of the ESARs.
- xxxii. **“Vesting Criteria”** means the criteria subject to which the ESARs granted under the Scheme would Vest in the ESAR Grantee.
- xxxiii. **“Vesting Period”** means the period, during which the Vesting of the ESARs granted to the ESAR Grantee takes place under the Scheme.

1. Interpretation

1.1. In this Scheme, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant to interpretation;
- b) a reference to a clause number is a reference to its sub-clauses;
- c) words in singular number include the plural and vice versa;
- d) words importing a gender include all other genders;

e) Any reference to the term “Company” and “employee” under the Scheme shall, unless the context otherwise provides, also mean to refer the Subsidiary and the Eligible Employees of such Subsidiary, respectively.

1.2. Words and expressions used and not defined herein but defined in the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992 (15 of 1992), the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the SEBI Regulations, the SEBI (Prohibition of Insider Trading) Regulations 2015 and the rules and regulations made thereunder including any statutory modification or re-enactment thereto, shall have the meanings respectively assigned to them under those legislations.

1.3. All references to laws or to any specific provision of any law shall mean all delegated legislation issued thereunder any legislation which replaces such law/provision and any amendments to such law, provision or amendment or re-enactment.

2. Administration of the Scheme

2.1. The NRC is authorised to administer and supervise the Scheme and shall be authorised to inter-alia decide the following conditions under the Scheme:

- a) The Eligibility Criteria for Grant of ESARs to the Eligible Employees;
- b) To identify Eligible Employees to whom the ESARs may be granted hereunder, based on the Eligibility Criteria;
- c) The quantum of ESARs to be granted under this Scheme per Eligible Employee;
- d) Terms and conditions in respect of Grant, Vesting, Vesting schedule, and Exercise of ESARs by the Eligible Employees / ESAR Grantees which may be different for different class or classes of Eligible Employees / ESAR Grantees falling in the same tranche;
- e) To decide upon the quantum of ESARs to be vested in employees at different points of times based on Vesting Criteria etc.
- f) The procedure for Exercise of ESARs and allotment of shares in pursuance of the Scheme;
- g) The procedure for making a fair and reasonable adjustment (including adjustment to the number of ESARs and / or the Exercise Price and / or the ESAR Price) in case of Corporate Actions;
- h) The procedure and terms for the Grant, Vesting and Exercise of ESARs in case of Eligible Employee who are on long leave;
- i) The procedure for Vesting in case of separation / termination of employment of an ESAR Grantee, if required;
- j) The conditions governing the cancellation and/or vesting of ESARs in the event of termination of an ESAR Grantee for any misconduct;
- k) The procedure for cashless Exercise of ESARs, if required;
- l) Approve forms, writings and/or agreements for use in pursuance of the Scheme;
- m) To discontinue or recontinue the Scheme;
- n) To construe and interpret the terms of the Scheme and the ESARs granted pursuant to the Scheme;
- o) To lay down one or more plans and sub-plans as part of the ESOP structure at the organization level;
- p) To frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including the (a) SEBI (Prohibition of Insider Trading Regulations),

2015 and (b) SEBI (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the company and its employees;

- q) Any other matter as deemed necessary or incidental for the purpose of administration of this Scheme.

2.2. All questions of interpretation of the Scheme shall be determined by the NRC and such determination shall be final and binding upon all persons having an interest in the Scheme.

3. Designated Officer

3.1. Under the overall authority of the NRC, officer(s) shall be authorised and responsible to administer, implement and supervise the Scheme (“Designated Officer(s)”) and to perform following functions or such other functions as may be assigned by the NRC from time to time:

- a) Issue, amend, modify the letters of Grant of ESARs under the Scheme as per approval of the Board/ NRC;
- b) Acceptance of the requests/ applications for exercise of ESARs;
- c) Execute, sign and deliver all letters, correspondence, certificates, undertaking and other deeds and documents on behalf of the Company for any purpose incidental or ancillary to the Scheme;
- d) Represent the Company before any Government / semi-government or other authority for the purpose of the Scheme;
- e) Appoint any consultant, lawyer, professional etc. for any legal opinion, advice, views or to represent the Company before any statutory or non- statutory authority. Also, appoint valuer / chartered accountant to make independent calculation of ESAR Price and number of ESARs.
- f) Cancel or suspend all or any of the ESARs granted (whether Vested or not) under the Scheme:
 - i. If required under any law for the time being in force or the order of any jurisdictional court;
 - ii. In the event the employee’s services are terminated for misconduct or other irregularities.
- g) Do all such acts, deeds and things as may be required to be done to implement and administer the Scheme or any other matter connected thereto under the authority of the Board/ NRC;
- h) Delegate all or any of the powers vested hereat to any officer or employee or the appointed representative(s) of the Company by way of a letter of authority.

4. The Scheme

4.1. The NRC shall Grant ESARs to Eligible Employees (who satisfy the Eligibility Criteria) on such terms and conditions as may be decided by the NRC in accordance with the provisions of the Scheme. The number of ESARs to be granted to Eligible Employees (who satisfy the Eligibility Criteria) shall be determined by the NRC from time to time.

4.2. The total number of ESARs granted under the Scheme shall not exceed 1,75,00,000 (One Crore Seventy-Five Lakh) (“ESAR Pool”). Provided however that the total number of Shares to be issued towards Appreciation of the ESARs under the Scheme shall not exceed 33,00,000 (Thirty-Three Lakh) (“Share Pool”).

4.3. Each Vested ESAR, upon Exercise, shall entitle the ESAR Grantee to receive Appreciation in ESARs and such appreciation shall, subject to the terms of this Scheme, be settled in Shares. The total

number of Shares to be issued based on Appreciation shall be calculated as per following formula:

$$\text{No of Equity shares} = \frac{[(\text{Market Price on Exercise} - \text{ESAR Price}) * \text{No. of ESARs exercised}]}{\text{Market Price on Exercise}}$$

These Shares shall be issued on valid exercise and receipt of the exercise price, which shall be the face value of the share of the Company i.e. Rs. 2/- each, at present.

- 4.4. Notwithstanding anything contained to the contrary in this Scheme (a) the fractional shares, if any, shall be settled in cash, considering the Market Price, and (b) to the extent that the Appreciation is not capable of being settled by the Company through issue of Shares due to exhaustion of the Share Pool, the Company will first seek approval of the members to increase the equity pool to accommodate the shortfall and in case the same is not successfully secured the same will be settled in cash.
- 4.5. Where Shares are issued consequent to Exercise of ESARs by the ESAR Grantee, the Share Pool shall stand reduced to the extent of the number of Shares issued.
- 4.6. The maximum number of ESARs that may be granted per Eligible Employee under the Scheme, in any financial year, shall not be more than 0.30% of the issued and paid-up equity share capital (excluding outstanding warrants and conversions) of the Company at the time of the grant.
- 4.7. Upon issue of Shares as per Clause 4.3 and payment cash as per Clause 4.4 (to the extent applicable), the Vested ESARs shall stand extinguished.
- 4.8. The vested ESARs shall be exercisable by Eligible Employees on submission of an application in the prescribed format to the Company, in such manner as may be prescribed by the NRC. Subject to Clause 6, in the event the Vested ESARs are not Exercised within the Exercise Period, they shall lapse on expiry of the Exercise Period.
- 4.9. Subject to compliance with the provisions of the Applicable Laws, all expired, lapsed, forfeited and cancelled ESARs shall be brought back to the ESARs Pool and shall become available for future grants.
- 4.10. In the event of any Corporate Action or change in the corporate structure of the Company affecting the share capital structure, the Board/ NRC, is authorised to make a fair and reasonable adjustment in the number of ESARs such that total value of ESARs to an ESAR Grantee remains the same after the Corporate Action.
- 4.11. The Exercise Price shall be the face value of the Shares of the Company which is presently Rs. 2 per share.

5. Eligibility under the Scheme

- 5.1. The Eligible Employees, who satisfy the Eligibility Criteria and selected by the NRC for grant of ESARs shall receive ESARs on the Grant Date. The NRC may apply different Eligibility Criteria for Eligible Employees / set of Eligible Employees.
- 5.2. The NRC may consider designation, employment tenure, criticality of the role, past performance and future potential, performance linked parameters and such other parameters to determine Eligibility Criteria.
- 5.3. The NRC may also Grant ESARs to the Eligible Employees at the time of joining the employment or to retain Eligible Employees of the Company.

6. Vesting Period and Exercise Period

- 6.1. ESARs granted under the Scheme would vest not earlier than one year (“Minimum Vesting Period”) and not later than 5 years from the Grant Date of such ESARs.
- 6.2. The Vesting may happen in one or more tranches and the NRC may prescribe different vesting schedule for different ESARs / ESAR Grantees.
- 6.3. The ESARs may be exercised by the ESAR Grantee at any time within a period of 5 years from the Vesting Date or such other period as may be determined by the NRC. Provided that in a case where ESAR is granted by the Company under the Scheme in lieu of employee stock appreciation rights held by the same person under a scheme in another company (which has merged or amalgamated with the Company) (“Transferor Company”), the period during which the ESAR granted by the Transferor Company were held by such person shall be adjusted against the Minimum Vesting Period required under this Scheme.
- 6.4. The Shares issued upon exercise of ESARs shall not be subject to any lock-in period.
- 6.5. Subject to Clause 7.4 which covers cases of deputation / transfer of an ESAR Grantee, the right of an ESAR Grantee to have ESARs Vested in him or her under this Scheme, is contingent upon the ESAR Grantee continuing in the service of the Company. On the happening of certain events the ESARs will vest and can be exercised as per the provisions outlined in the table below:

| S. No. | Event | Vested ESARs* | Unvested ESARs* |
|--------|---|---|--|
| 1 | Resignation/Termination (other than due to misconduct or breach of company policies/ terms of employment)# | Subject to overall exercise period under Clause 6.3 all the vested ESARs may be exercised by the ESAR Grantee within 3 months from the date of separation from the Company. | All Unvested ESARs as on the last working day of the ESAR Grantee with the Company shall stand cancelled with effect from that date. |
| 2 | Termination / Separation due to misconduct, breach | All Vested ESARs which were not exercised at the time of | All Unvested ESARs on the date of such termination / separation |

| | | | |
|----------|--|---|--|
| | of company policies/terms of employment# | such termination/separation shall stand cancelled with effect from the date of such termination/separation. | shall stand cancelled with effect from the termination / separation date. |
| 3 | Retirement/Early retirement approved by the Company | Subject to overall exercise period under Clause 6.3, all Vested ESARs can be exercised by the ESAR Grantee immediately after, but in no event, later than six months from the date of such retirement | Subject to minimum one year vesting period under Clause 6.1, all Unvested ESARs as on the date of such retirement shall vest immediately and can be exercised by the ESAR Grantee immediately after, but in no event, later than six months from the date of such vesting. |
| 4 | Death | All Vested ESARs may be Exercised by the ESAR Grantee's nominee or legal heirs immediately after, but in no event, later than six months from the date of death. | All the Unvested ESARs as on the date of death shall vest immediately and may be exercised by the ESAR Grantee's nominee or legal heirs immediately after, but in no event, later than six months from the date of death. |
| 5 | Termination due to Permanent Disability | All Vested ESARs may be Exercised by the ESAR Grantee or, if the ESAR Grantee is himself unable to exercise due to such Permanent Disability, by the nominee or legal heirs, immediately after, but in no event, later than six months from the date of such Permanent Disability | All the-Unvested ESARs as on the date of such Permanent Disability shall vest immediately and can be exercised by the ESAR Grantee or, if the ESAR Grantee is himself unable to exercise due to such Permanent Disability, the nominee or legal heirs immediately after but in no event, later than six months from the date of such Permanent Disability. |
| 6 | Change in Control | Where the ESAR Grantee resigns from the Company or his / her employment is terminated by the Company due to change in Control of the Company, all the Vested ESAR as on the date of change in Control of the Company shall be exercisable by the ESAR Grantee before his last working day with the Company. | Where the ESAR Grantee resigns from the Company or his / her employment is terminated by the Company due to change in Control of the Company, unless otherwise determined by the NRC, whose determination will be final and binding, on the date of change in Control of the Company, all Unvested ESAR shall vest immediately (provided that the Minimum Vesting Period has expired) and shall be exercisable within 90 days from the change in Control of the Company. |

** NRC at its sole discretion shall decide the date of lapse/cancellation of ESARs and such decision shall be final and binding on all concerned.*

Amended w.e.f 3rd May 2022

7. Vesting Criteria

- 7.1. ESARs granted under the Scheme would vest not earlier than one year and not later than 5 years from the date of grant of such ESARs. Vesting of ESARs would be subject to continued employment with the Company or its holding or subsidiary company(s), as the case may be.
- 7.2. The NRC may apply different Vesting Criteria for Eligible Employees / sets of Eligible Employees. The specific vesting schedule and Vesting Criteria would be stated in the grant letters provided to the ESAR Grantee at the time of Grant.
- 7.3. Subject to satisfaction of Minimum Vesting Period, the NRC may at its sole discretion facilitate accelerated Vesting of the unvested ESARs under the Scheme.
- 7.4. In the event of transfer or deputation of any ESAR Grantee from the Company to a Subsidiary Company or an Associate Company of the Company, prior to the Vesting or Exercise, the Vesting or Exercise shall continue in such case as per the original schedule in the original Grant Letter, subject to the compliance of Applicable Laws.

8. Other terms and conditions

- 8.1. The Grant Letter duly signed by the Designated Officer shall be conclusive evidence of the entitlement of the Eligible Employee to the ESARs mentioned in the Grant Letters. The Grant Letter shall inter alia contain Grant Date, Vesting schedule, Vesting Conditions, as may be applicable, number of ESARs granted and the disclosures as specified under the SEBI Regulations (as per the format prescribed in this regard).
- 8.2. The ESARs shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner. Provided that an ESAR Grantee shall have a right to voluntarily surrender (to the Company) the ESARs granted to him / her, in accordance with applicable laws.
- 8.3. ESARs shall not be transferable to any person except in the event of death of the ESAR Grantee or inability to exercise due to Permanent Disability, in which case Clause 6.5 would apply.
- 8.4. No person other than the Eligible Employee to whom the ESARs are granted shall be entitled to Exercise the ESARs except in the event of the death / Permanent Disability of the ESAR Grantee, in which case the relevant provisions in table under Clause 6.5 would apply.
- 8.5. Nothing herein is intended to or shall give the ESAR Grantee any right or status of any kind as a shareholder of the Company (for example, bonus shares, rights shares, dividend, voting, etc) in respect of any Shares covered by the Grant unless the ESAR Grantee exercises the ESARs and becomes a registered holder of Shares.
- 8.6. If the Company issues bonus or rights shares, the ESAR Grantee will not be eligible for the bonus or rights shares in the capacity of an ESAR Grantee. However, an adjustment to the number of ESARs or the Exercise Price or both would be made in accordance with Clause 4.10 of the Scheme.

- 8.7. There shall be no additional lock-in period for the Shares allotted upon Exercise of ESARs.
- 8.8. No amount is payable at the time of Grant of ESARs.
- 8.9. The Shares issued upon settlement of the Appreciation in accordance with the Scheme shall rank pari-passu in all respects with the existing Shares.
- 8.10. The Shares allotted to the ESAR Grantee upon Exercise of ESARs shall be subject to the provisions of the Articles of Association of the Company.
- 8.11. The Shares will not be issued to an ESAR Grantee pursuant to the Exercise of ESARs unless the exercise of such ESARs and the delivery of such Shares comply with Applicable Laws.
- 8.12. The conditions applicable for Grant, Vesting and Exercise of ESARs in case of Eligible Employees who are on long leave shall be such as may be determined/revised by the NRC, in its sole discretion

9. Taxation

- 9.1. The liability of paying taxes, if any, in respect of the ESARs granted pursuant to this Scheme and the Shares issued pursuant to Exercise thereof or, to the extent applicable, the cash payment made shall be entirely on ESAR Grantee and shall be in accordance with the provisions of Income Tax Act, 1961 read with rules issued thereunder and/or income tax laws of the respective countries as applicable to eligible ESAR Grantee of Company.
- 9.2. The Company shall have right to deduct from the ESAR Grantee's salary or adjust or recover any tax that is required to be paid, deducted or recovered under the Applicable Laws. In case of non-continuance of employment, the outstanding amount of the tax shall be recovered fully on or before full and final settlement.
- 9.3. In case of events as mentioned in Clause 6.5, if Exercise is made by employee who is not in employment or by any nominee or legal heir, then tax shall be recovered fully on Exercise by such nominee or legal heir.
- 9.4. The Company shall have no obligation to allot Shares until the Company's tax deduction obligations, if any, have been satisfied by the ESAR Grantee.

10. Variation in the terms of the Scheme

- 10.1. The Company shall not vary the terms of the Scheme in any manner, which may be detrimental to the interest of the Eligible Employees / ESAR Grantees. Any variation in the terms of the Scheme shall comply with the provisions of the Applicable Laws and shall be done only with the approval of the shareholders of the Company, if applicable.
- 10.2. Subject to the provisions of the Applicable Laws, the Board/ NRC shall have right to alter, vary, modify or amend all or any of the terms of the Scheme or any other subordinate document at

any time without any prior intimation to the employees within the authorization granted by the shareholders of the Company from time to time.

11. Amendment / Termination of the Scheme

11.1. In case of alteration or amendment of the Scheme, the Company will obtain approval of shareholders, to extent necessary to comply with the Applicable Laws. The notice seeking approval of shareholders shall contain the necessary information as set out in the SEBI Regulations and other Applicable Laws.

11.2. No amendment, alteration, suspension or termination will impair or be prejudicial the rights of the ESAR Grantees.

12. Miscellaneous provisions

12.1. The terms and conditions of the Scheme shall be governed by and construed in accordance with the laws on India.

12.2. The inability of the Company to obtain approval from any regulatory body having jurisdiction over the Company, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to Grant the ESARs or issue Shares.

12.3. Neither the existence of the Scheme nor the fact that an individual has on any occasion been Granted ESARs shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in the Scheme or any future plan(s) by being granted ESARs on any other occasion.

12.4. The rights granted to an ESAR Grantee upon the Grant of ESARs shall not accord the ESAR Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Company for any reason whatsoever.

12.5. The ESAR Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise ESARs in whole or in part.

12.6. The Courts of Mumbai shall have exclusive jurisdiction over any dispute arising out of or in connection with the Scheme, the Grant or any matter related thereto.

13. Confidentiality

The ESAR Grantee shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Scheme, Grants, Vesting, Exercise or any other matter incidental or ancillary thereto to and shall not divulge any detail related thereto to any person (including his colleagues, other employees of the Company or its Subsidiaries) except: (i) with the prior permission of the Designated Officer, obtained in writing; or (ii) as required under any law for the time being in force. Any violation of the term may result in cancellation of the whole or part of the Grant whether

vested or not, without prejudice to any other action which may be taken in this regard. The decision of the Committee in this regard shall be final and binding on the ESAR Grantee.

14. Nomination

14.1. The ESAR Grantees shall have right to appoint nominee(s) for the benefit under the Scheme.

14.2. In case the ESAR Grantee fails to make nomination under the Scheme, the nominations made under the organization system will be considered. In case the nominations made by the ESAR Grantee are proven unenforceable or invalid, the Shares will be credited to the legal heirs of the ESAR Grantee and such credit of shares shall be treated as the sufficient discharge of obligation by the Company.

14.3. In case of nomination of Eligible Employees who are foreign nationals or non-resident Indians, the transfer of Shares upon valid Exercise will be subject to compliance with the applicable laws.

15. Accounting Policy and the Method of Valuation of ESARs

The Company shall comply with the disclosure and accounting policies prescribed by appropriate authority and the SEBI Regulations from time to time. The Company shall use the fair value method for valuation of the ESARs.

16. Severability

In the event, any one or more of the provisions contained in the Scheme shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Scheme, but this shall be construed as if such invalid or unenforceable provision had never been set forth herein, and the Scheme shall be carried out as nearly as possible according to its original terms and intent.