



TAMILNAD MERCANTILE BANK LTD
EMPLOYEE STOCK OPTION PLAN 2024
(TMB ESOP 2024)

TMB ESOP 2024

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TMB ESOP 2024

ARTICLE 1 TITLE

This Plan shall be called the Tamilnad Mercantile Bank Limited (TMB) Employee Stock Option Plan, 2024 ('TMB ESOP 2024' or 'the Plan').

ARTICLE 2 AUTHORITY

The TMB ESOP 2024 will be administered by the Compensation Committee ("CC") constituted by the Board pursuant to Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (SBEB Regulations). The Board is responsible to constitute an independent CC for the purpose of administration and implementation of the Plan. For this purpose, Board in its meeting dated January 17, 2025 has nominated the existing Nomination and Remuneration Committee (NRC) of the Board as the CC. The Shareholders of Tamilnad Mercantile Bank Limited (TMB) ('the Company' or 'the Bank') have approved this Plan by way of Special Resolution passed through postal ballot on March 12, 2025.

ARTICLE 3 OBJECTS

The objects of the Plan are:

- 1) To reward the Eligible Employees of the Bank, its holding company and subsidiaries, its associated entities including joint venture and group companies (as applicable) in accordance with the statutory regulations outlined under the Reserve Bank of India guidelines (RBI/2019-20/89 dated 04 November 2019) and Securities and Exchange Board of India guidelines.
- 2) To enhance performance and create a sense of ownership and participation amongst the Eligible Employees of Bank, its holding, its subsidiaries, associate entities including joint ventures and group companies, as applicable.

ARTICLE 4 DEFINITIONS & INTERPRETATIONS

Definitions:

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

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- 4.1 “Act” means the Companies Act, 2013, read with the Companies (Share Capital and Debenture) Rules, 2014 or any statutory modification or re-enactment thereof.
- 4.2 “Adoption Date” means the date this Plan is adopted by the Bank by passing a special resolution through postal ballot.
- 4.3 “Applicable Laws” means every law relating to Employee Stock Options, to the extent applicable, including and without limitation the Companies Act, 2013, Securities and Exchange Board of India constituted under Securities and Exchange Board of India Act, 1992, the Banking Regulations Act, 1949 and all relevant tax, securities, exchange control or corporate laws or amendments thereof including any circular, notification issued thereunder, of India or of any relevant jurisdiction.
- 4.4 “Associate Company¹” shall have the same meaning as defined under Section 2(6) of the Companies Act, 2013.
- 4.5 “Bank” means Tamilnad Mercantile Bank Limited (TMB), a Banking Company incorporated under the Companies Act, 1956 and having its registered office at "57, V.E. Road, Thoothukudi, Tamil Nadu 628002", and its successors and assigns.
- 4.6 “Bank Policies/Terms of Employment” mean the Bank’s policies for employees and the terms of employment as contained in the Employment Letter and any other rules / bye-laws issued from time to time including that issued under the Applicable Laws.
- 4.7 “Behavioral aspects” or “Bad behavior” or “cause” shall include negligence, fraud, professional misconduct, breach of trust, moral turpitude, dishonesty, committing or abetting any illegal activity, willful misinterpretation / misreporting of financial performance of the Bank, non-disclosure of material conflict of interest by the employee or any misuse of official powers, violating any Bank Policies / Terms of Employment or any other applicable code of conduct, absence from office for a substantial period of time without any valid reason or authority, or any other actions or circumstances of similar nature as may be decided by the Compensation Committee in its absolute discretion.
- 4.8 “Board of Directors” or “Board” means the Board of Directors for the time being of the Bank or any Committee thereof and where the context so requires shall include the Board of Directors of its subsidiaries, associate entities including joint ventures and group companies, as applicable.
- 4.9 “Change in Capital Structure” means a change in the capital structure of the Bank as a result of re-classification of shares, splitting up of the face value of shares, sub-division of

¹ Refer Point no: 1 of Annexure for Definition

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shares, issue of bonus shares, conversion of shares into other shares or securities of the Company and any other change in the rights or obligations in respect of shares.

- 4.10 “Compensation Committee (CC)” means Committee of the Board constituted by the Bank under Article 7 of this Plan. The current Nomination and Remuneration Committee (NRC) may be named as CC for the purpose of the Plan.
- 4.11 “Comprehensive Compensation / Remuneration Policy” means such policy of the Bank being formulated and implemented under the relevant guidelines issued by the Reserve Bank of India for compensation of Directors and other Employees of the Bank.
- 4.12 “Corporate Action” means one of the following events:
- (i) the merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution or other reorganization of the Bank (including any investment from any private equity investor and/or venture capital fund and any internal group restructuring or reorganization which would include any restructuring or reorganization at an overseas group level as well) in which the shares are converted into or exchanged for:
 - a) a different class of securities of the Bank; or
 - b) any securities of any other issuer; or
 - c) cash; or
 - d) other property,
 - (ii) the sale, lease or exchange of all or substantially all of the assets or undertaking of the Bank.
 - (iii) the adoption by the shareholders of the Bank of a scheme of liquidation, dissolution or winding up.
 - (iv) acquisition (other than acquisition pursuant to any other sub-clause of this clause) by any Bank, person, entity or group of a controlling stake in the Bank. For this purpose ‘Controlling Stake’ shall mean more than 50% of the voting share capital of the Bank.
 - (v) in case of sale of shares by Promoter/ Promoter Group in excess of 30% of the total paid-up share capital of the Bank.
 - (vi) in the event of delisting of shares of the Bank, either voluntary or compulsory, from the stock exchanges.

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- (vii) any other event, which in the opinion of the Board has a material impact on the business, shareholding or voting rights of/ in respect of the Bank.
- 4.13 “Date of Grant” means the date on which CC grants Options to Eligible Employees under Article 9 of this Plan.
- 4.14 “Eligible Employee” means an employee as determined by the CC to be entitled to Grant of ESOP.
- 4.15 “Employee” means:
- (i) an employee as designated by the Bank, who is exclusively working in India or outside India; or
 - (ii) a director of the Bank, in India or outside India, whether a whole-time director or not, including a non- executive director who is not a promoter or member of the promoter group, but excluding an independent director; or
 - (iii) an employee as defined in sub-clauses (i) or (ii), of a group company including subsidiary or its associate company, in India or outside India, or of a holding company of the company, but does not include—
 - a) an employee who is a promoter or a person belonging to the promoter group; or
 - b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding equity shares of the company.
- 4.16 “Employer” means the Bank, its holding Company, its subsidiaries, associate entities including joint ventures and group companies, as applicable.
- 4.17 “Exercise” means making of an application by Eligible Employee to the Bank for issue of shares against Vested Options in pursuance of this Plan.
- 4.18 “Exercise Application” means the application form as may be prescribed, in which the Option grantee has the Option to Exercise its right under this Plan.
- 4.19 “Exercise Date” means the date on which Option is Exercised by the Option grantee.
- 4.20 “Exercise Notice” means an Exercise notice given by Eligible Employee under Article 11 of this Plan.

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- 4.21 “Exercise Period” means the specified period within which an Eligible Employee should Exercise his right to apply for shares of the Bank against Vested Options in pursuance of this Plan. The CC may specify such period from time to time.
- 4.22 “Exercise Price/ Grant Price” means the price, payable by the Eligible Employee for exercising the Option granted to him in pursuance of this plan.
- 4.23 “Grant” means the process by which the Bank issues Options under this Plan to Eligible Employees.
- 4.24 “Grant Letter” means the letter issued by the CC intimating the Eligible Employee of Grant of specified number of Options, based on pre-determined criteria.
- 4.25 “Group” means two or more companies which, directly or indirectly, are in a position to:
- i) Exercise twenty-six percent. or more of the voting rights in the other Company; or
 - ii) appoint more than fifty percent. of the members of the Board of Directors in the other Company; or
 - iii) control the management or affairs of the other Company
- 4.26 “Independent Director²” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- 4.27 “Key Managerial Personnel³” shall have the same meaning as defined under section 2(51) of the Companies Act, 2013 and shall also include such Senior Managerial Personnel (SMP) and Key Leaders as named by the CC from time to time. This shall include Whole time directors, Chief Executive Officers, Material Risk takers and Control Functional staffs as named by the bank from time to time in compliance with the Reserve Bank of India guidelines (RBI/2019-20/89 dated 04 November 2019).
- 4.28 “Market Price” means the latest available closing price on a Recognised Stock Exchange on which the shares of the Bank are listed on the date immediately prior to the Relevant Date.

Explanation - If such shares are listed on more than one stock exchange, then the closing price on the stock exchange having higher trading volume shall be considered as the Market Price.

² Refer Point no: 2 of Annexure for definition

³ Refer Point no: 3 of Annexure for definition

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- 4.29 “Option” means the Option given to an Eligible Employee which gives him a right to purchase, at a future date, the shares offered by the Bank, directly or indirectly, at a pre-determined price.
- 4.30 “Option grantee” means an Eligible Employee having a right (subject to vesting conditions, if any, being fulfilled) but not an obligation to Exercise an Option in pursuance of this Plan.
- 4.31 “Performance Condition” means conditions specified by CC that must be satisfied before an Option can be granted and/ or vested.
- 4.32 “Permanent Incapacity” or “Permanent Incapacitation” means any disability or incapacitation 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 Option Grantee was capable of performing immediately before such disablement, as determined by the Committee based on a certificate of a medical expert identified by the Committee.”
- 4.33 “Plan” means the Tamilnad Mercantile Bank Limited Employee Stock Option Plan, 2024 (TMB ESOP 2024) as set out herein and as amended or modified from time to time under which the Bank grants Options to Eligible Employees.
- 4.34 “Promotor⁴” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- 4.35 “Promoter Group⁵” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- 4.36 "Recognised stock exchange" means a recognized stock exchange as defined in Section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- 4.37 “Relative⁶” shall have the same meaning as defined under section 2(77) of the Companies Act, 2013.
- 4.38 “Relevant Date” means:
- (i) in the case of Grant, the date of the meeting of the CC on which the Grant is approved; or

⁴ Refer Point no: 4 of Annexure for definition

⁵ Refer Point no: 5 of Annexure for definition

⁶ Refer point no: 6 of Annexure for definition

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- (ii) in the case of Exercise, the date on which the notice of Exercise is given to the Bank by the Eligible Employee;
- 4.39 “Resultant Securities” means the underlying benchmarking shares or other securities issued in lieu of shares of the Bank, on any “Change in Capital Structure” or on any “Corporate Action”.
- 4.40 “Securities⁷” means securities as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.
- 4.41 “SEBI” means the Securities and Exchange Board of India constituted under Securities and Exchange Board of India Act, 1992, as amended.
- 4.42 “SEBI Regulations” means the following regulations, as amended from time to time:
(i) SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021;
(ii) Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015;
(iii) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
(iv) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003; and
(v) Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- 4.43 “Share” means the equity shares of the Bank of a nominal value/ face value of Rs.10 each.
- 4.44 “Superannuation” in relation to an Eligible Employee means-
(a) The attainment by the Employee of such age as is defined by the CC from time to time, as the age on the attainment of which the Employee shall vacate his employment; and
(b) In any other case, the attainment by the Employee of the age of 58 years.
- 4.45 “Termination” means the cessation of employment prior to the date of retirement/ superannuation of an Eligible Employee at the instance of the Employer and also includes resignation by the Eligible Employee.
- 4.46 “Unvested Option” means an Option in respect of which the specified Vesting period is not over and the Performance Conditions are not satisfied.

⁷ Refer point no: 7 of Annexure for definition

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- 4.47 “Vested Option” means an Option in respect of which the specified Vesting period is over and the Performance Conditions are satisfied.
- 4.48 “Vesting” means the process by which an Option grantee becomes entitled to receive the benefit of a Grant made to him under this Plan.
- 4.49 “Vesting Date” in relation to Option means the earliest date on which the rights under the Options may be Exercised by an Option grantee.
- 4.50 “Vesting Period” means the period during which the Vesting of Options granted under this Plan takes place.
- 4.51 All other expressions unless defined herein shall have the same meaning as have been assigned to them under the SEBI Regulations, Securities and Exchange Board of India Act, 1992 or the Securities Contracts (Regulation) Act, 1956 or the Companies Act 2013 and any statutory modification or re-enactment thereof, as the case may be.
- 4.52 Any dispute, discrepancy or disagreement which shall arise under or as a result of, or pursuant to or in connection with the Plan shall be referred to the CC and shall be determined by the CC and such determination/ decision/ interpretation by the CC shall be final and binding on the persons affected thereby.

II Interpretation:

In this document, unless the contrary intention appears:

- a) the singular includes the plural and vice versa;
- b) the word “person” includes an individual, a firm, a body corporate or unincorporated or any authority; and
- c) any word or expression importing the masculine, feminine or neuter genders only, shall be taken to include all three genders.

III Article Headings:

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

IV References:

- a) A reference to a Clause or Schedule is respectively a reference to a Clause or Schedule of this document. The Schedules to this document shall for all purposes form part of this document.

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- b) A reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

ARTICLE 5 IMPLEMENTATION

- 5.1 The Plan, as approved by the shareholders, shall be implemented by the CC, under the broad policy and framework, as may be decided from time to time.

ARTICLE 6 EFFECTIVE DATE AND PLAN DURATION

- 6.1 The Plan shall be deemed to have come into force on March 12, 2025.
- 6.2 The Plan shall be terminated, and no Options shall be granted under the Plan after the last date of the Exercise Period as specified by the CC.
- 6.3 If any Option granted under the Plan lapses or is forfeited under any provision of the Plan, such Option shall be available for further grants under the Plan. After the closing date, the Plan shall remain in effect until all the Options granted under the Plan shall have been exercised or shall have expired by reason of lapse of time or otherwise, whichever is earlier.

ARTICLE 7 COMPENSATION COMMITTEE

- 7.1 For administration of this Plan, a Compensation Committee (CC) needs to be constituted.
- 7.2 The CC shall be a committee of such members of the Board of Directors of the Bank as provided under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time.

Provided however that independent directors as defined under the SEBI Regulations shall constitute a majority in the CC. The Board, shall at its sole discretion, have the power to appoint any Director as a member of the CC and to remove any such Director so appointed and appoint another in his place. Any such appointment and / or removal shall be made by a resolution of the Board. The CC shall be entitled to invite any person to attend its meetings and participate in the discussion and deliberations if it so thinks fit. The CC, in the exercise of its powers, may require any information from the Bank, and / or seek the

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assistance of any employee of the Bank as it may deem fit to fully and effectively discharge its duties.

- 7.3 The Board of Directors, may designate the existing NRC and/ or any other members as outlined in Article 7.2 above to act as CC for the purpose of administration and implementation of this Plan.
- 7.4 The CC shall frame suitable policies and procedures to ensure that there is no violation of securities laws including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, as amended from time to time, by the Bank and its Employees, as applicable.
- 7.5 Powers of the CC, inter-alia, include the power to determine and/ or approve the following:
- a) identify the relevant, applicable and permissible subsidiaries, associate entities including joint ventures and group entities, the employees of which, would be covered under the Plan.
 - b) determine the Eligible Employees/ category of Employee of the Bank, its holding company, subsidiaries, associate entities including joint ventures and group entities, to whom Options will be granted.
 - c) determine the eligibility of employees seconded to permissible group Companies in India and outside India who would be covered under the Plan.
 - d) the quantum of Options to be granted and the criteria for determining the number of Options to be granted to Eligible Employees, within the ceiling as approved by the shareholders.
 - e) Vesting Period, vesting schedule and performance conditions for Grant and Vesting;
 - f) weightage to Bank's performance/ compensation/ longevity/ ranking of the Employee, as applicable.
 - g) Grant Price/ Exercise Price after considering discount to Market Price, if applicable.
 - h) age of Superannuation of Eligible Employees and the consequent implications with respect to Grant, Vesting or Exercise of Options for such Eligible Employees;

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- i) the conditions under which options, may vest in the Eligible Employees and may lapse in case of Termination of employment under different circumstances;
- j) the exercise period within which the Eligible Employee can exercise the options or the period and conditions within which the Options get automatically exercised and the conditions within which the options would lapse;
- k) Obtaining permissions for making periodic reports to regulatory authorities, as may be required and ensuring compliance with all guidelines applicable in this regard;
- l) the right of an Eligible Employee to exercise all the options, vested in him at one time or at various points of time within the exercise period;
- m) the procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of options and to the Grant Price/ Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard, the following shall, inter alia, be taken into consideration by the compensation committee:
 - (i) the number, price and the discount of/ on options shall be adjusted in a manner such that total value to the Eligible Employee of the options remains the same after the corporate action;
 - (ii) the vesting period and the life of the options shall be left unaltered as far as possible to protect the rights of the Eligible Employee(s) who is granted such options;
- n) the grant, vesting and exercise of shares, options in case of Eligible Employee(s) who are on long leave;
- o) the procedure for funding the exercise of options, including payment of related taxes;
- p) the procedure for buy-back of Specified Securities issued under these regulations, if to be undertaken at any time by the Bank, 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 Bank as per its last financial statements; and
 - (iii) limits upon quantum of specified securities that the Bank may buy-back in a financial year.

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Explanation - Specified Securities means as defined under the Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018

- q) date for termination of this Plan;
 - r) any other matter that the Board may deem appropriate.
- 7.6 The number of members of the CC and their powers and functions can be specified, varied, altered or modified from time to time by the Board of Directors, subject to rules and regulations as may be in force. The Board may further provide that the CC shall exercise certain powers only after consultation with the Board and in such case said powers shall be exercised accordingly.
- 7.7 No member of the CC shall be personally liable for any decision or action taken in good faith with respect to the Plan.
- 7.8 A member of the CC shall abstain from participating in and deciding any matter relating to Grant of any Options to him.

ARTICLE 8 APPRAISAL AND ELIGIBILITY OF AN EMPLOYEE

- 8.1 As soon as may be possible after the Plan comes into effect and at such times thereafter, as deemed fit, the CC shall, based on appropriate criteria (e.g. RBI guidelines, behavioral aspects of the employee not falling under the definition referred in clause 4.7 of the plan, performance of the individual, criticality of the job, etc.) decide on the Employees who are eligible for the Options under the Plan and the terms and conditions thereof.
- The CC may in its absolute discretion vary or modify such criteria, quantum, selection of employees and/ or any other terms and conditions for granting any Options to any Employee or class of Employees.
- 8.2 All Eligible Employees of the Bank, its holding and subsidiary company, associate company including joint ventures and group company, as applicable, working in India or outside India shall be eligible to participate in this Plan. Provided however that persons who are “Independent Directors”, “Promoters” or part of the “Promoter Group” as defined in the SEBI Regulations shall not be entitled to participate in the Plan.
- 8.3 Where such Eligible Employee is a director nominated by an institution as its representative on the Board of Directors of the Bank–

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- The contract or agreement entered into between the institution nominating its Eligible Employee as the director of a Bank, and the director so appointed shall, *inter alia*, specify the following:
 - Whether the grants by the Bank under its plan can be accepted by the said Eligible Employee in his capacity as director of the Bank;
 - That Grant if made to the director, shall not be renounced in favour of the nominating institution; and
 - The conditions subject to which fees, commissions, other incentives, etc. can be accepted by the director from the Bank.
- The institution nominating its Eligible Employee as a director of a Bank shall file a copy of the contract or agreement with the said Bank, which shall, in turn file the copy with all the stock exchanges on which its shares are listed.
- The director so appointed shall furnish a copy of the contract or agreement at the first board meeting of the Bank attended by him after his nomination.
- Such individuals who are “Independent Directors”, “Promoters” or part of the “Promoter Group” as defined in the SEBI Regulations shall not be entitled to participate in the Plan.

ARTICLE 9 GRANT OF OPTIONS

- 9.1 The total number of shares entitled under the grant in TMB ESOP 2024 shall not be exceeding 15,83,514 (Fifteen Lakhs Eighty Three Thousand Five Hundred and Fourteen) Equity Shares of face value of Rs. 10 each fully paid up. The CC may from time-to-time recommend Grant of Options to the Eligible Employees.

The aggregate number of Options and the grant price that may be granted under this Plan shall be recommended by the CC. However, in case the aggregate number of Options proposed to be granted to any Eligible Employee equals to or exceeds 1% (up to 15,83,514 Options) of the issued capital of the Bank at the time of grant of Options, prior approval of the shareholders by way of a separate resolution shall be obtained.

- 9.2 The Grant of Options for Eligible Employee would be based on the following parameters as ascertained by the CC from time to time. Such parameters may illustratively include:
- Performance of the Eligible Employee;
 - Performance of the Bank and Division;

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- Last drawn fixed CTC of the Eligible Employee;
- The fair market value of the underlying share as on the Date of Grant;
- Any other matters as determined by the CC / other statutory regulations.

9.3 The CC may grant options to Eligible Employees with varied vested schedules.

9.4 The Grant Price/ Exercise Price shall neither be less than the face value of the share nor more than the fair market value of the share on the Date of Grant. The CC may from time to time decide on such Grant Price/ Exercise Price and the applicable discount to market price, if any.

9.5 The CC shall send a Grant Letter to each Eligible Employee to whom an Option has been granted as soon as reasonably practicable following the date of Grant.

9.6 The Grant Letter in respect of every Grant shall inter-alia contain the following information (although any omission shall not affect the validity of the Options):

- a) date of Grant;
- b) number of Options granted;
- c) the Grant Price/ Exercise Price of the Option;
- d) details of any Vesting conditions as applicable, if any, to the Options;
- e) the Vesting schedule;
- f) the Exercise Period; and
- g) a statement that no Options can be transferred, assigned or charged unless in case of death or permanent incapacitation⁸ of Eligible Employee.

9.7 Unless agreed to otherwise between the Bank and any Eligible Employee, the Grant of an Option to an Eligible Employee under this Plan shall entitle the holder of the Options to apply for one Share in the Bank for every eligible Option, subject to satisfaction of vesting conditions, if any and upon payment of Grant Price/ Exercise Price and the related taxes set out in this Plan.

9.8 Unless otherwise specified in the Grant Letter and/ or in the Plan, all grants shall be deemed to have been made effective following the date of the Grant Letter.

9.9 The Options granted to the Option grantee shall not be pledged, hypothecated, mortgaged or otherwise alienated by the Option grantee.

⁸ Refer article 4.32 of this plan

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ARTICLE 10 VESTING OF OPTIONS

- 10.1 Unless the terms and conditions of a Grant of Option shall otherwise require, an Option granted to an Eligible Employee shall entitle him to apply for the Share on or after the date of Vesting, subject to satisfaction of the vesting conditions (Behavioral aspects of the individual, not falling under the definition referred in clause 4.7 of the plan and continuity of employment) specified in the Grant Letter or such other document as CC deem fit. Such vested options shall be exercised within the Exercise Period at the Grant Price/ Exercise Price specified in the Grant Letter.
- 10.2 Unless otherwise specified, Options granted shall have a Vesting period of not more than three years from the date of Grant or such period that CC may determine. However, such Vesting period shall not be less than one year from the date of Grant and shall have maximum vesting period of three years. The Vesting can be either staggered over a three-year period (illustratively 30%, 30% and 40%) or may be at the end of three years.
- 10.3 The CC will evaluate whether each Eligible Employee has successfully fulfilled the Vesting Conditions, if any, prescribed in the Grant Letter or such other document as the CC deem fit for each financial year. Options remaining unvested as on the date of each vest on account of non-fulfillment of specified vesting conditions shall lapse. Such lapsed Options (though granted) will not be made available for such Eligible Employees. The underlying shares corresponding to such lapsed Options may be available in the pool for future Grants to be made to all Eligible Employees.
- 10.4 The CC may under certain exceptional conditions, such as, Corporate Action/ Change in Capital Structure, retirement, Superannuation, etc. recommend an accelerated vesting in respect of Unvested Options of an Eligible Employee.
- 10.5 The CC in its absolute discretion may, for any Option grantee or class of Option grantees permit the Options granted, including Options which are not available for Exercise, to be exercised within such time and as per such terms and conditions as it may determine. However, such Vesting period shall not be less than one year from the date of Grant.
- 10.6 The terms of Vesting in respect of cessation of employment or in case of Corporate Actions are separately covered in Article 13 and Article 15 respectively

ARTICLE 11 EXERCISE OF OPTIONS

- 11.1 All Vested Options shall be exercised within a period of 3 years from the date of Vesting, failing which all the Vested Options shall be deemed to be lapsed.

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- 11.2 In case at the time of grant of the options, the Option Grantee has paid any amount to the Bank for exercise of the options, the amount paid by the Eligible Employee:
- may be adjusted by the Bank towards Grant Price/ Exercise Price; or
 - applicable withholding taxes; or
 - may be refunded to the Eligible Employee if the Options are not Vested (and lapsed) due to non-fulfilment of conditions relating to Vesting of Options as per this Plan.
- 11.3 The Option grantee may, at any time during the Exercise Period, and subject to fulfillment of the applicable conditions, exercise the Options by submitting an application to the Bank (in the prescribed format) to issue and allot him shares pursuant to the Vested Options, accompanied by payment of an amount equivalent to the Grant Price/ Exercise Price and the applicable taxes in respect of such shares and such other writing, if any, as the CC may specify to confirm extinguishment of the rights comprising in the Options then exercised. In the event of Exercise of Options resulting in fractional shares, the CC shall be entitled to round off the number of shares to be issued to the nearest whole number and Exercise Price shall be correspondingly adjusted.
- 11.4 Grant Price/ Exercise Price shall be the price payable by Eligible Employee on the date of exercise which would be the nominal value of the share (i.e. Rs. 10) or such price approved by the CC at the time of Grant. Such Grant Price/ Exercise Price shall neither be less than the face value of the share nor more than the fair market value of the share on the Date of Grant.
- 11.5 Except as otherwise provided, payment of the Grant Price/ Exercise Price for the shares to be acquired pursuant to Exercise of any Options shall be made/ discharged by the Option grantee in any of the following mode:
- (i) Online payment/ wire transfer of funds;
 - (ii) Exersale (immediate sale of shares on exercise of options) of eligible shares, in case there is no lock-in period specified by the Bank; 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) any combination of any two or more of the above-mentioned methods.
- 11.6 In the case of exersale, the Bank may fund or permit the empanelled stockbroker to fund the payment of Grant Price/ Exercise Price and the amount necessary to meet employees tax obligations and other related expenses pursuant to exercise of options granted under

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this Plan which shall be adjusted against the sale proceeds of some or all the shares subject to the provisions of applicable law or regulation.

- 11.7 The application for exercise shall be in such form as may be prescribed in this regard and the CC may determine the procedure for the Exercise from time to time.
- 11.8 Transfer of shares pursuant to the Exercise of Options made during the Exercise Period shall normally be made within a period of 15 (fifteen) working days after the end of month in which the Options are exercised. In case the 15th day is a holiday, then such allotment of shares would be made in the next working day.

Provided further that the CC may recommend such other periods during which the Options may or may not be permitted to be exercised.

Provided however that in case of cessation of employment, the Option grantee shall be entitled to Exercise the Options in accordance with the provision of Article 13 (except Clause 13.1) notwithstanding the Exercise Dates specified hereinabove in this Sub-Article, but subject to the provisions of any law or regulation for the time being in force.

- 11.9 The Option grantee may appoint any person(s) as nominee(s) for the purpose of exercising the rights on his death, subject to the terms and conditions of the Plan. The Option grantee shall appoint such nominee(s) by submitting a letter in the form specified by the CC in this regard. The Option grantee has the right to revoke / change such nomination. The nominee(s) shall alone be entitled to Exercise the rights of the Option grantee concerned in the event of the death of the Option grantee.
- 11.10 The CC may recommend the applicability of lock in period in respect of shares allotted to Option grantee pursuant to Exercise of Option

ARTICLE 12 RIGHTS OF OPTION GRANTEE

12.1 No shareholder rights

No Option grantee shall have any right to shares or to any amounts corresponding to dividends on shares and no Option grantee shall have any right to any cash payment.

12.2 No additional employment rights

The rights of any individual under the terms of his office or employment with any of the Group Companies are entirely separate from and will not be affected by his participation or prospective participation in this Plan. In particular, an individual is not entitled (and

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waives any rights he may have) to compensation or damages in consequence of ceasing to have rights or benefits or prospective rights or benefits under this Plan following:

- a) the termination of his office or employment (whether lawfully or unlawfully) for any reason;
- b) the Exercise of a discretion or a decision taken under this Plan or any failure to Exercise a discretion or take a decision (even if this could be regarded as capricious or unreasonable, or could be regarded as in breach of any implied term between an individual and his Employer, including any implied duty of trust and confidence); or
- c) the operation, suspension, termination or amendment of this Plan.

12.3 No additional Option rights

The Plan is operated on a purely discretionary basis and the Grant of Options on a particular basis or to a particular individual in any year does not create any right or expectation of the Grant of Options on the same basis, or at all, or to any particular individual in that or any subsequent year.

ARTICLE 13 CESSATION OF EMPLOYMENT

13.1 All vested and unvested options shall be forfeited in the event of:

- (i) the Option grantee has engaged in fraud, embezzlement, or committed a breach of confidentiality in the course of his employment with the Bank;
- (ii) the Option grantee has engaged in such behavior materially detrimental to the interests of the Bank as a result of willful misconduct in the carrying out the duties or obligations of the Option grantee;
- (iii) a breach by the Option grantee of any of the material terms and conditions of his employment agreement, if any which has not been cured within thirty (30) days of receipt of a notice from the Bank; or
- (iv) the Option grantee is convicted for any felony or crime involving moral turpitude, fraud or misrepresentation, in which event all Vested Options and Unvested Options at the time of such cessation of employment shall stand terminated with immediate effect;

13.2 In case of termination due to performance as approved by the CC, all Options which are Unvested shall stand cancelled on the date of such termination. With respect to the Options

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that are Vested as on the date of termination such Eligible Employee may be entitled to retain and Exercise within prescribed Exercise Period at the discretion of the CC.

- 13.3 In case of voluntary resignation by the Eligible Employee, all Options which are Vested on the date of resignation shall be exercised by the Eligible Employee within Exercise Period but before the last date of employment. Any such vested but unexercised Options shall be deemed to be exercised on the last date of employment

All Options which are Unvested on the date of resignation of the Option grantee shall stand cancelled from the date of resignation.

- 13.4 In the event that the Eligible Employee, who has been granted Options under this Plan, is transferred or deputed to its holding or subsidiary company, associate company including joint ventures and group company (in/ outside India), prior to vesting or exercise, the vesting and exercise as per the terms of grant shall continue, subject to statutory regulations, in case of such transferred or deputed employee even after the transfer or deputation.

- 13.5 In case of any medical reason all the Vested Options on the date of separation would be immediately exercised by the Eligible Employee, subject to the satisfaction of vesting conditions, if any prescribed by the CC. All Unvested Option would lapse on the date of separation. Such decision shall be taken by the CC at its sole discretion. All such Vested Options should be exercised within the prescribed Exercise Period but before the date of separation.

- 13.6 In the event of cessation of employment due to Permanent Incapacitation⁹ of an Option grantee while on employment, all the Options shall Vest in him on that day, subject to the satisfaction of vesting conditions, if any prescribed by the CC and such decision shall be taken by the CC at its sole discretion. All such Vested Options should be exercised within the prescribed Exercise Period but before the date of separation.

- 13.7 In the event of by death of the Eligible Employee whilst in employment, all Options shall Vest in the legal heirs or nominees of the deceased Eligible Employee on that day. All such Vested Options should be exercised within the prescribed Exercise Period by the nominee or the legal heir, as the case may be.

Notwithstanding anything elsewhere stated in this document so long as it is required, in the event of retirement/ attaining the age of superannuation by the Eligible Employee, all Options which are Vested Options on the date of retirement/ attaining the age of superannuation, shall be exercised by the Eligible Employee within Exercise Period. All

⁹ Refer article 4.32 of this plan

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Unvested Option would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the Bank's policies and the applicable law. The CC may determine an accelerated vesting period for such category of Eligible Employees attaining the age of superannuation.

- 13.8 In case of separation of Eligible Employee due to reasons other than those mentioned in the afore-mentioned sub-clauses of Article 13, the CC will decide whether the Vested Options on the date of separation can be exercised by the Eligible Employee or not, and such decision of the CC shall be final. All Unvested Option shall stand cancelled on the date of separation.
- 13.9 The underlying shares corresponding to such lapsed Options may be available in the pool for future Grants to be made to all Eligible Employees.
- 13.10 In a situation of accelerated vesting, in case the quantum of such vested option exceeds the limits prescribed by RBI, such options would be due for vesting in the manner prescribed in the grant letter.
- 13.11 The CC shall have full power and authority to relax any of the conditions and provisions of Article 13, in case of the Eligible Employee who resigns from service of the Employer to join its Subsidiary, any associate entities, joint ventures or group Bank.

ARTICLE 14 TERMS AND CONDITIONS OF SHARES

- 14.1 All Shares acquired under the Plan will rank *pari passu* with all other Shares of the Bank for the time being in issue, save as regards any right attached to any such Shares by reference to a record date prior to the date of allotment.
- 14.2 Neither an Option grantee, nor his successor in interest, shall have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Option granted to him as applicable, till shares are issued upon Exercise of Option. Dividend in respect of Shares allotted on Exercise of the Options shall be payable pro-rata from the date of allotment, if any as applicable.

ARTICLE 15 CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

- 15.1 Except as hereinafter provided, any Grant made shall be subject to adjustment, by the Board, at its discretion, as to the number and price of Options or shares, as the case may be, in the event of 'Change in Capital Structure' or a 'Corporate Action' as defined herein.

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- 15.2 If there is a 'Change in the Capital Structure of the Bank' before the Options granted under this Plan are Vested but not exercised, the Eligible Employee shall be entitled on Exercise of the Options, to such number of resultant Options to which he would have been entitled as if all then outstanding Options exercised by him, had been exercised before such 'Change in the Capital Structure' had taken place and the rights under the Options shall stand correspondingly adjusted. With respect to Unvested Options, the CC, at its discretion, shall adjust the Unvested Options with that of the resultant Options, which is not detrimental to the interest of the Option grantee.
- 15.3 The shares in respect of which the Options are granted, are shares as presently constituted. However, if and when, prior to the expiry of the Exercise Period there is a 'Change in the Capital Structure' of the Bank, the number of resultant shares / the grant price with respect to which the Options so granted may thereafter be exercised shall, be determined by the CC to be proportionately adjusted.
- 15.4 Provided further that in case the provisions of applicable law restrict/ prohibit the issue of shares at a Discount to its par or other value, the Grant Price/ Exercise Price shall not be less than such amount as prescribed under such law. Further, the Grant Price/ Exercise Price shall not be more than the fair market value of the share, as relevant, as on the date of such transaction.
- 15.5 In the event of 'Corporate Action' including a scheme of arrangement, amalgamation, merger or demerger, where an Eligible Employee who has been granted benefits under this Plan, prior to the vesting or exercise, the treatment of options in such case shall be specified in such scheme of arrangement, amalgamation, merger or demerger provided that such treatment shall not be prejudicial to the interest of the Eligible Employee.
- 15.6 Further, in the event of 'Corporate Action', the CC in consultation with Board, at least seven days prior to any 'Corporate Action' or sixty days thereafter, acting in its absolute discretion with or without the consent or approval of the Eligible Employee, as it may deem fit, shall in respect of the outstanding Options act on any of the following alternatives:-
- a) Provide that on any Exercise of Options hereafter, the Option grantee shall be entitled to the Options and / or resultant Options as if the Options grantee had been a holder of the Options on the date of the Corporate Action.
 - b) Make such adjustments to the Options outstanding to reflect the 'Corporate Action', as may be necessary.
 - c) Substitute the Options granted, by fresh Options whether in the Bank or another Bank, which have substantially the same terms as the Options granted under this Plan.

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- d) Accelerate the Exercise of the Options so that the Options are to be compulsorily exercised before the date specified by the Board, failing which they shall lapse.
- e) Require the mandatory surrender to the Bank, by all or some of the Option grantee, of all or some of the outstanding Options, irrespective of whether, the Options, are available for Exercise or not, as on that date. In such an event the Bank shall pay to such Eligible Employee an amount, in cash or otherwise, per Option, as the case may be, of the "Surrender Value" after deducting the applicable taxes, if any.

Provided, however, unless specifically agreed otherwise upon by the Board, all Options which are not exercisable on the date of any Corporate Action as envisaged above, shall lapse and the Options grantee shall not be entitled to any compensation of any nature whatsoever.

- 15.7 The CC shall determine the proportion and value of resultant Options to be granted in exchange of Options already issued prior to 'Corporate Action' provided such valuation is not prejudicial to the interest of the Option grantee.
- 15.8 Where the Bank makes a further issue of capital upon which all the existing Shareholders of the Bank are offered a right to subscribe for the further issue of capital at a price lower than the Fair Market Value, (hereinafter called "the Rights issue"), the Board may in its absolute discretion, permit the Eligible Employee(s) 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 "Change in the Capital Structure" of the Bank, had taken place. Such newly subscribed shares or other securities shall be issued on such terms and conditions as may be determined or deemed fit by the CC.

Notwithstanding anything contained herein above and in the alternative, in the event the Bank comes out with a rights issue and / or announces bonus shares, the CC shall have the right to cancel all or part of the outstanding grants whether Vested or Unvested and / or make fresh grants on terms not prejudicial to the Eligible Employee including allowing the Eligible Employee to accelerate the Vesting to enable them to Exercise the Options such that the Eligible Employee can participate in the rights and / or bonus issue in the same manner as the other eligible shareholders.

ARTICLE 16 AMENDMENT OR TERMINATION OF THE PLAN

- 16.1 The CC 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 would impair or prejudice the rights of the Option grantee without the consent of the Option grantees.

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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 this Plan.

- 16.2 Without prejudice to the above, the CC may, without any reference to or consent of the Eligible Employee concerned, amend the Plan or Grant or any Agreement to comply with any law, regulation or guideline, which is or may hereinafter, become applicable to this Plan.
- 16.3 The CC may reprice the Options that are not exercised whether or not they have been Vested if the Plan were rendered unattractive due to fall in the price of the shares in the recognized stock exchange and such reprice shall not be detrimental to the interest of the Eligible Employee and approval of the shareholders in general meeting has been obtained.
- 16.4 The Bank may, by passing a Special Resolution, vary the terms of the Plan in relation to the Options not exercised by the Eligible Employee provided such variation is not prejudicial to the interest of the Option grantees.

ARTICLE 17 ADMINISTRATION

17.1 Notices

- a) Any notice or other document given to an Eligible Employee or Options grantee shall be sent by post, email or fax or given via an intranet communications system to such address or number as the person giving the notice or document considers appropriate.
- b) Any notice or other document which has to be given to any other person under or in connection with this Plan shall be sent by post, email or fax or given via an intranet communications system to such address or number as is notified for this purpose (marked for the attention of the designated person).
- c) Items sent by post shall be pre-paid and will be deemed to have been received 72 hours after posting (or if posted overseas 7 days after posting). Notices sent by email or fax, in the absence of evidence to the contrary, will be deemed to have been received on the day after sending.

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17.2 Disputes

The Board's decision on all disputes or disagreements relating to the interpretation of this Plan or as to any question or right related to this Plan is final and conclusive.

17.3 Costs

The costs of establishing and operating this Plan, including the cost of payments made in relation to Exercise of Options, shall be borne by the Bank in such proportions as the Board determines.

17.4 Power to delegate functions and appoint specialists

The Board may delegate the exercise of its powers or discretions in relation to the Plan to any one or more persons (including, but not restricted to, a sub-committee of the Board) for such period and on such conditions as the Board may determine. The Board may at any time appoint or engage specialist service providers for the operation and administration of the Plan.

17.5 Data protection

By accepting Options (through not renouncing it) and by accepting any benefit in respect of an Options, Option grantee agrees to the holding of personal information about him. He/She authorizes the Board and its agents and advisers (or agents or advisers of the Group) to use such information for all purposes relating to the operation of this Plan.

**ARTICLE 18
OTHERS**

18.1 No Right to an Option:

Neither the adoption of the Plan nor any action of the Board of Directors or CC, shall be deemed to give an Eligible Employee any right to be granted any Options or to acquire Options or to any other rights, nor shall it create any right in any Eligible Employee to claim any Option as a matter of right.

18.2 No Employment Rights Conferred:

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

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

18.3 Tax Deduction at Source and Tax Recovery:

The Employer shall have the right to deduct all taxes payable either by the Eligible Employee / Option grantee, in connection with all grants / Options / shares under this Plan, by way of deduction at source from salary or to require any payments necessary to enable it to satisfy such obligations (i.e. by way of cheque).

The Option grantee will also as a condition of the Plan authorize the Bank 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 Option grantee.

18.4 Malus/ Clawback

Notwithstanding anything contained elsewhere in this Scheme, the Bank reserves the right of executing malus/ clawback arrangements in respect of Options already granted, vested or exercised, as the case may be. Options granted under the Scheme are always subject to malus and clawback as may be exercised by the Bank in the circumstances specified in the guidelines issued by the Reserve Bank of India.

A malus arrangement permits the Bank to prevent Vesting of all or part of the Options granted to an Option Grantee. However, the malus arrangement shall not reverse the Vesting of already Vested Options.

A clawback, on the other hand, is a contractual agreement between the Option Grantee and the Bank, being evidenced on the acceptance of the Grant, in which case the Option Grantee shall relinquish any benefit that accrued to or return any benefit that is received by such Option Grantee to the Bank under circumstances specified at the time of Grant of Options.

18.5 Accounting Policies:

The Bank shall confirm to the relevant accounting policies and comply with Accounting Standards as may be prescribed by the competent accounting standards authorities from time to time. The bank shall disclose the details and comply with the applicable statutory guidelines.

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18.6 No Restriction of Corporate Action:

The existence of the Plan and the grants made hereunder shall not in any way effect the right or the power of the Board of Directors or the shareholders or the Bank to make or authorize any ‘Change in Capital Structure’ including any issue of shares, debt or other securities having any priority or preference with respect to the shares or the rights thereof.

Nothing contained in the Plan shall be construed to prevent the Bank from taking any Corporate Action which it deems appropriate or in its best interest, whether or not such action would have an adverse effect on the Plan or any Grant made under the Plan. No Eligible Employee or other person shall have any claim against the Bank as a result of such action.

18.7 Confidentiality:

Eligible Employee must keep the details of this Plan 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 Eligible Employee and / or associate of the Bank or that of its affiliates or any third party. In case Option grantee is found in breach of this confidentiality clause, the Bank has undisputed right to terminate any agreement and all unexercised Options shall stand cancelled immediately. The decision and judgment of the Bank 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 CC will have the authority to deal with such cases as it may deem fit.

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

18.8 Insider Trading:

The Option grantee shall ensure that there is no violation of applicable regulations for the prevention of “insider trading” in shares and securities and for prevention of Fraudulent and / or Unfair Trade Practices relating to the securities market.

The CC shall be entitled to frame such rules, regulations as may be necessary to ensure that there is no violation of the above referred regulations and / or practices.

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The Option grantee shall indemnify and keep indemnified the Bank / Board / CC in respect of any liability arising as a result or consequence of the violation of the above provisions by the Eligible Employee.

18.9 New Plans:

Nothing contained in the Plan shall be construed to prevent the Bank directly or through any Trust settled by the Bank, from implementing any other new Plan for granting stock Options and /or Share purchase rights, which is deemed by the Bank to be appropriate or in its best interest, whether or not such other action would have any adverse impact on the Plan or any Grant made under the Plan. No Eligible Employee or other person shall have any claim against the Bank as a result of such action.

18.10 Issues:

In respect of any issues arising in respect of the Plan, the decision of the Board of Directors shall be final and binding on all concerned.

18.11 Restriction on transfer of Options:

An Option shall not be transferable and shall be exercisable during Exercise Period only by such Option grantee or in case of death, by the legal heirs or nominees of the deceased Option grantee. An Option shall not be pledged, hypothecated, mortgaged or otherwise encumbered or alienated in any other manner.

18.12 Option Agreement:

Each Option shall be evidenced by terms and conditions as may be stipulated by the Bank.

18.13 Plan severable

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

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18.14 Arbitration

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

18.15 Governing Laws:

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

18.16 Certificate from Auditors

The Board shall at each Annual General Meeting place before the Shareholders a certificate from the auditors of the Bank that this Plan has been implemented in accordance with the SEBI Regulations and in accordance with the resolution of the Bank in the general meeting.

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Annexure

1. ***“Associate Company”***, in relation to another company, means a company in which that other Company has a significant influence, but which is not a subsidiary company of the company having such influence and includes a joint venture company.

Explanation—For the purposes of this clause, “significant influence” means control of at least twenty percent of total share capital, or of business decisions under an agreement.

2. ***“independent director” means a non-executive director, other than a nominee director of the listed entity:***

- (i) *who, in the opinion of the board of directors, is a person of integrity and possesses relevant expertise and experience;*
- (ii) *who is or was not a promoter of the listed entity or its holding, subsidiary or associate company or member of the promoter group of the listed entity;*
- (iii) *who is not related to promoters or directors in the listed entity, its holding, subsidiary or associate company;*
- (iv) *who, apart from receiving director's remuneration, has or had no material pecuniary relationship with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year;*
- (v) *none of whose relatives has or had pecuniary relationship or transaction with the listed entity, its holding, subsidiary or associate company, or their promoters, or directors, amounting to two percent. or more of its gross turnover or total income or fifty lakh rupees or such higher amount as may be prescribed from time to time, whichever is lower, during the two immediately preceding financial years or during the current financial year;*
- (vi) *who, neither himself/ herself, nor whose relative(s) —*
 - (A) *holds or has held the position of a key managerial personnel or is or has been an employee of the listed entity or its holding, subsidiary or associate company or any company belonging to the promoter group of the listed entity, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed:*

Provided that in case of a relative, who is an employee other than key managerial personnel, the restriction under this clause shall not apply for his / her employment.

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(B) is or has been an employee or proprietor or a partner, in any of the three financial years immediately preceding the financial year in which he is proposed to be appointed, of —

(1) a firm of auditors or company secretaries in practice or cost auditors of the listed entity or its holding, subsidiary or associate company; or

(2) any legal or a consulting firm that has or had any transaction with the listed entity, its holding, subsidiary or associate company amounting to ten percent or more of the gross turnover of such firm;

(C) holds together with his relatives two percent or more of the total voting power of the listed entity; or

(D) is a chief executive or director, by whatever name called, of any non-profit organisation that receives twenty-five percent or more of its receipts or corpus from the listed entity, any of its promoters, directors or its holding, subsidiary or associate company or that holds two percent or more of the total voting power of the listed entity;

(E) is a material supplier, service provider or customer or a lessor or lessee of the listed entity;

(vii) who is not less than 21 years of age.

(viii) who is not a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director:

Explanation- In case of a 'high value debt listed entity':

(a) which is a body corporate, mandated to constitute its board of directors in a specific manner in accordance with the law under which it is established, the non- executive directors on its board shall be treated as independent directors;

(b) which is a Trust, mandated to constitute its 'board of trustees' in accordance with the law under which it is established, the non-employee trustees on its board shall be treated as independent directors.

3. “key managerial personnel”, in relation to a company, means—

a) the Chief Executive Officer or the managing director or the manager;

b) the company secretary;

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- c) *the whole-time director;*
- d) *the Chief Financial Officer; and*
- e) *such other officer as may be prescribed;*

4. “Promoter” shall include a person:

- i) *who has been named as such in a draft offer document or offer document or is identified by the issuer in the annual return referred to in section 92 of the Companies Act, 2013; or*
- ii) *who has control over the affairs of the issuer, directly or indirectly whether as a shareholder, director or otherwise; or*
- iii) *in accordance with whose advice, directions or instructions the board of directors of the issuer is accustomed to act: Provided that nothing in sub-clause (iii) shall apply to a person who is acting merely in a professional capacity; Provided further that a financial institution, scheduled commercial bank, foreign portfolio investor other than Category III foreign portfolio investor, mutual fund, venture capital fund, alternative investment fund, foreign venture capital investor, insurance company registered with the Insurance Regulatory and Development Authority of India or any other category as specified by the Board from time to time, shall not be deemed to be a promoter merely by virtue of the fact that twenty percent. or more of the equity share capital of the issuer is held by such person unless such person satisfy other requirements prescribed under these regulations.*

5. “Promoter group” includes:

- i) *the promoter;*
- ii) *an immediate relative of the promoter (i.e., any spouse of that person, or any parent, brother, sister or child of the person or of the spouse); and*
- iii) *in case promoter is a body corporate:*
 - a) *A subsidiary or holding company of such body corporate;*
 - b) *Any body corporate in which the promoter holds twenty percent or more of the equity share capital or which holds twenty percent or more of the equity share capital of the promoter;*
 - c) *Any body corporate in which a group of individuals or companies or combinations thereof which hold twenty percent or more of the equity share capital in that body corporate also holds twenty percent or more of the equity share capital of the issuer.*

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- iv) *in case the promoter is an individual;*
- a) *Any body corporate in which twenty percent or more of the equity share capital is held by the promoter or an immediate relative of the promoter or a firm or Hindu Undivided Family in which the promoter or any one or more of his immediate relative is a member;*
 - b) *Any body corporate in which a body corporate as provided in (a) above holds twenty percent or more, of the equity share capital;*
 - c) *any Hindu Undivided Family or firm in which the aggregate shareholding of the promoter and his immediate relatives is equal to or more than twenty percent of the total;*
- v) *All persons whose shareholding is aggregated for the purpose of disclosing in the prospectus under the heading "shareholding of the promoter group":*

Provided that a financial institution, scheduled bank, foreign portfolio investor other than Category III foreign portfolio investor, mutual fund, venture capital fund, alternative investment fund, foreign venture capital investor, insurance company registered with the Insurance Regulatory and Development Authority of India or any other category as specified by the Board from time to time, shall not be deemed to be promoter group merely by virtue of the fact that twenty percent or more of the equity share capital of the promoter is held by such person or entity:

Provided further that such financial institution, scheduled bank, foreign portfolio investor other than Category III foreign portfolio investor, mutual fund, venture capital fund, alternative investment fund and foreign venture capital investor insurance company registered with the Insurance Regulatory and Development Authority of India or any other category as specified by the Board from time to time shall be treated as promoter group for the subsidiaries or companies promoted by them or for the mutual fund sponsored by them.

6. “relative”, includes :

with reference to any person, means anyone who is related to another, if—

- a. *they are members of a Hindu Undivided Family;*
- b. *they are husband and wife; or*
- c. *one person is related to the other in such manner as may be prescribed.*

7. “Securities”—include shares, scrips, stocks, bonds, debentures, debenture stock or other marketable securities of a like nature in or of any incorporated company or other body corporate.