

# The Federal Bank Limited Employee Stock Incentive Scheme 2025 [**ESIS 2025**]

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## 1. Name, Objective and Term of the Scheme

- 1.1 This Scheme shall be called 'The Federal Bank Limited Employee Stock Incentive Scheme 2025' ("Scheme").
- 1.2 The objective of the Scheme is to reward the eligible Employees of the Federal Bank Limited ("Bank") (present or future) in India and / or outside and to motivate them to contribute to the growth and profitability of the Bank. The Scheme aims to attract, reward the talented / key employees for their contributions in the successful management and operations of the Bank and to provide an incentive to secure their continued contribution towards the future growth of the Bank. The Bank views Stock Options ("Stock Options" or "Options") as a means that would enable the employees to get a share in the value they create for the Bank in future.
- 1.3 This Scheme has been formulated and approved by the Nomination, Remuneration, Ethics and Compensation Committee ("Committee") of the Bank on 19/07/2025 and approved by the Board of Directors of the Bank on 30/07/2025. The Scheme has received approval of the Shareholders of Bank by way of a Special Resolution passed on 29/08/2025.
- 1.4 The Committee may, subject to compliance with Applicable Laws and required approvals, if any, at any time alter, amend, suspend, or terminate this Scheme. The Committee would decide the entitlement of each Employee based on his/her level, grade, seniority, and other relevant factors for grant of Options.
- 1.5 This Scheme shall become effective from the date of shareholders' approval, i.e., 29/08/2025 ("Effective Date") and this Scheme shall continue to be in effect until (i) its termination at any time at the sole discretion of the Board and / or Committee in accordance with Applicable Laws, or (ii) the date on which all the Options (as defined hereinafter) available for issuance under the Scheme have been exercised, or have been cancelled or lapsed or surrendered under the Scheme and the Committee does not intend to re-issue these cancelled or lapsed or surrendered Options.

However, any such termination or expiry of the Scheme shall not affect the Grant, Vesting or Exercise of the Options already issued under the Scheme.

## 2. Definitions and Interpretation

The terms defined in this clause shall, for all purposes of this Scheme, have the meanings herein specified. Under the Scheme, where the context so admits, the masculine shall include the feminine and the singular shall include the plural.

### 2.1 Definitions

- a) **"Act"** means the Securities and Exchange Board of India Act, 1992 together with the statutory modifications, amendments, or re-enactments thereof from time to time;
- b) **"Applicable Law"** means any prevailing Act, Rule or Regulation relating to Employee Stock Options, including and without limitation to the Banking Regulation Act, 1949, Companies Act, 2013, Securities and Exchange Board of India Act, 1992, SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, Companies (Share Capital and Debenture) Rules, 2014, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, or Articles of Association of the Bank or such other laws to the extent applicable, including any amendment thereto and all other relevant tax, securities, exchange control or corporate laws, rules,

regulations or bye- laws of India or any relevant jurisdiction, or of any stock exchange on which the equity shares of the Bank are listed or quoted;

- c) **“Associate Company”** means any Associate Company (present or future) as defined under section 2(6) of the Companies Act, 2013;
- d) **“Bank”** means The Federal Bank Limited.
- e) **“Banking Regulation Act”** means the Banking Regulation Act, 1949 and the rules, guidelines and circulars issued by the Reserve Bank of India and include any statutory modifications or re-enactments thereof;
- f) **“Beneficiary” or “Nominee”** shall mean the person or persons, trust or trusts designated by the Employee, or in the absence of any designation by the Employee, a person or persons who is/ are entitled by the will or probate of the Employee to receive the benefits specified in this Scheme, the legal heirs of the Employee, if the Employee dies intestate and includes the Employee’s executors or administrator, if no other Beneficiary is designated and able to act under the circumstances and such other persons as may be added from time to time to the class of beneficiaries by submitting Nomination Form via physical or electronic means in the exercise of any powers conferred under this Scheme or any other agreements forming part thereof;
- g) **“Board”** shall mean the Board of Directors of the Bank, constituted/ reconstituted in accordance with the Applicable Laws from time to time and shall include a committee of the board of directors as may be authorized to take certain decisions and / or perform certain actions as delegated to it by the Board of Directors;
- h) **“Cause”** means any of the following acts or omissions by an Employee in addition to any provisions prescribed in the offer or terms of employment amounting to misconduct or breach of terms of employment as determined by the Board. This may include the following scenario or any other scenario as may be determined by the Board / Committee.
  - (i) dishonest statements or acts of an Employee, with respect to the Bank;
  - (ii) a felony or any misdemeanour involving moral turpitude, deceit, dishonesty, or fraud committed by the Employee;
  - (iii) gross negligence, misconduct, or insubordination of the Employee in connection with the performance of his duties and obligations towards the Bank;
  - (iv) breach by the Employee of any terms of his employment agreement or the Bank’s policies or other documents or directions of Company including the reasons of non-performance;
  - (v) participating or abetting a strike in contravention of any law for the time being in force;
  - (vi) misconduct as provided under the labour laws after following the principles of natural justice.
  - (vii) violation of the guidelines / instructions / standard operating practice issued by RBI.
  - (viii) disclosure of any secret or confidential information about the Bank and / or its group companies including its subsidiary / associate company by the Employee to any third party.
  - (ix) employment of an Employee in any other organisation or provision of services by an Employee to any other organisation during employment with the Bank.

- (x) any other reason which is determined by the NRC to be detrimental to the interest of the Bank;
- i) **“Closing Date”** shall mean the last date on which the offer of Options by the Bank to a Grantee can be rejected. In case the last date is a non-working day, then it shall be the immediately following working day;
- j) **“Committee”** means Nomination, Remuneration, Ethics and Compensation Committee of the Board as constituted in accordance with the Companies Act, 2013 and Regulation 19 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 read with Banking Regulation Act, and the rules, guidelines and circulars issued by the Reserve Bank of India, as amended from time to time and which shall also act as the Compensation Committee for the purposes of SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended from time to time.
- k) **“Companies Act”** means the Companies Act, 2013 and rules made thereunder and include any statutory modifications or re-enactments thereof;
- l) **“Control”** shall have the same meaning as defined under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- m) **“Director”** shall have the same meaning as defined under section 2(34) of the Companies Act, 2013;
- n) **“Eligible Employee”** for the purpose of this Scheme shall mean an Employee and as identified in accordance with Clause 5 of the Scheme;
- o) **“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, whether a whole-time director or not, including a non-executive director who is not a promoter or member of the promoter group, but at all times excluding an independent director of the Bank; or
  - (iii) an employee as defined in sub-clauses (i) or (ii), 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 per cent of the outstanding equity shares of the Bank;
- p) **“Equity Shares”** means fully paid-up Equity Shares of the Bank;
- q) **“Exercise”** means making of an application by an Employee / Beneficiary to the Bank for issue of Equity Shares against Vested Options in pursuance of this Scheme, in accordance with the procedure laid down by the Bank for such exercise and on payment of Exercise Price
- r) **“Exercise Application”** shall mean the application form as prescribed by the Committee via physical or electronic means for the purpose of enabling the Employee / Beneficiary to apply to the Bank for exercising the Vested Options in accordance with Clause 8 of this Scheme;

- s) **“Exercise Period”** shall mean three years after Vesting within which the Employee / Beneficiary can Exercise his right to apply for Shares against the Vested Option in pursuance of this Scheme;
- t) **“Exercise Price”** means the price, if any, payable by the Employee / Beneficiary for exercising the Options granted to him / her in pursuance of the Scheme, as may be determined by the Committee, which shall be face value of the shares of the Bank;
- u) **“Grant”** means the process by which the Bank issues Options to the Employees under the Scheme;
- v) **“Grant Date”** shall mean the date on which the Options are granted by the Committee to the Employee of the Bank in pursuance of this Scheme;

Explanation – For accounting purposes, the grant date will be determined in accordance with applicable Accounting Standards.

- w) **“Grant Letter”** means a letter issued by the Bank to the Grantee, intimating an Eligible Employee of the Options granted for acquiring a specified number of Shares at the Exercise Price and as per the Vesting Conditions described therein;
- x) **“Grantee”** shall mean an Eligible Employee who is the recipient of Grant Letter on the Grant Date in furtherance of a Grant approved by the Committee;
- y) **“Group”** means two or more companies which, directly or indirectly, are in a position to—
  - (i) exercise 26% or more of the voting rights in the other company; or
  - (ii) appoint more than 50% of the members of the Board of Directors in the other company;
  - or
  - (iii) control the management or affairs of the other company;
- z) **“Holding Company”** means a holding company (present or future) as defined in sub-section (46) of section 2 of the Companies Act, incorporated in India or outside;
- aa) **“Insider”** shall have the same meaning assigned to it under the SEBI (Prohibition of Insider Trading) Regulations, 2015;
- bb) **“Independent Director”** shall have the same meaning assigned to it under the provisions of Companies Act, 2013 read together with the rules framed thereunder and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- cc) **“Long Leave”** means a sanctioned leave in excess of 60 days without break. Long Leave shall also include Sabbatical Leave in full and Maternity Leave in excess of six months or as decided by the Bank subject to minimum leaves as prescribed under any Applicable Laws;
- dd) **“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- As the shares are listed on more than one recognised stock exchange, the closing

price on the recognised stock exchange having higher trading volume shall be considered as the market price;

- ee) **“Merchant Banker”** means a merchant banker as defined under regulation 2(1)(cob) of the SEBI (Merchant Bankers) Regulations, 1992, which is registered under section 12 of the Act;
- ff) **“Permanent Disability / Incapacity”** means any disability / incapacity of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Employee from performing any specific job, work or task which the said Employee was capable of performing immediately before such disablement, as determined by the Committee based on a certificate of a medical expert identified by the Board;
- gg) **“Promoter”** shall have the same meaning as assigned to the term under the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- hh) **“Promoter Group”** shall have the same meaning assigned to the term under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended
- ii) **“RBI”** means Reserve Bank of India constituted under the Reserve Bank of India Act, 1934;
- jj) **“Relative”** shall have the same meaning as defined under section 2(77) of the Companies Act;
- kk) **“Relevant date”** means,-
  - (i) in the case of grant, the date of the meeting of the Committee on which the grant is made;
  - or
  - (ii) in the case of exercise, the date on which; Option(s) are exercised by the Employee through the mode prescribed by the Bank;
- ll) **“Retirement”** means retirement as per the policies / rules of the Bank;
- mm) **“SEBI”** means the Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992;
- nn) **“SEBI (SBEB and Sweat Equity) Regulations”** means the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended and re-enacted from time to time and includes any clarifications or circulars issued thereunder;
- oo) **“Secretarial Auditor”** means a company secretary in practice appointed by a company under Rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to Section 204 of the Companies Act;
- pp) **“Scheme”** or **“ESIS 2025”** means The Federal Bank Limited Employee Stock Incentive Scheme 2025 under which the Bank is authorised to grant Stock Options to the Eligible Employees;
- qq) **“Scheme Administrator”** means the Company Secretary of the Bank or Head – HR or CEO of the Bank or any other person authorised by Committee from time to time to take necessary administrative steps in order to implement, supervise and administer the Scheme;

- rr) **“Securities”** means securities as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956;
- ss) **“Shares”** means Equity Shares of the Bank;
- tt) **“Shareholder”** shall mean the registered holder of a Share from time to time;
- uu) **“Stock Exchange or Recognized stock exchange”** means the National Stock Exchange of India Limited (NSE), BSE Limited (BSE) or any other Recognized stock exchange in India on which the Bank’s Shares are listed or to be listed in future and shall have the same meaning attributed to it under Section 2(j) of the Securities Contracts (Regulation) Act, 1956, as amended;
- vv) **“Stock Option”** or **“Option”** means the Stock Options given to an employee which gives such an employee a right to purchase or subscribe at a future date, the shares underlying the Options offered by the Bank, at a pre-determined price;
- ww) **“Subsidiary”** means a subsidiary of the Bank (present or future) as per the definition under Section 2(87) of the Companies Act, 2013;
- xx) **“Tax”** or **“Taxes”** shall mean any income tax, perquisite tax, fringe benefits tax or any other taxes, or any levy or any contribution or any sums due (by whatever name it is called) imposed on the Bank or on an Eligible Employee, with respect to the Grant, Vesting and/ or Exercise of the Options in pursuance of this Scheme;
- yy) **“Unvested Option”** shall mean the Options in respect of which the relevant Vesting Period is not completed and as such, the Grantee has not become eligible to Exercise the Options ;
- zz) **“Vesting”** means process by which the Employee / Beneficiary becomes entitled to apply for Shares against the Options granted in pursuance of this Scheme;
- aaa) **“Vesting Date”** shall mean the respective dates on and from which the Option Vests with the Employee/ Beneficiary and thereby becomes exercisable in pursuance of this Scheme;
- bbb) **“Vesting Period”** means the period during which the vesting of the Option granted under the Scheme takes place;
- ccc) **“Vested Option”** means an Option in respect of which the relevant Vesting conditions have been satisfied and the Option Grantee / Beneficiary has become eligible to exercise the Option.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, Companies Act, SEBI (SBEB and Sweat Equity) Regulations, (read with applicable circulars, notifications etc.), as amended from time to time, the Securities Contracts (Regulation) Act, 1956, or the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any statutory modification or re-enactment thereof, or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended as the case may be and all other applicable regulations and provision of law for the time being in force and shall be subject to any modifications or amendments or re-enactments thereof effected from time to time by way of an ordinance or legal enactment.

## 2.2 Interpretation

In this Scheme, unless the contrary intention appears:

- a) words importing a particular gender include any other gender;
- b) words using the singular or plural number also include the plural or singular number, respectively;
- c) the terms “hereof,” “herein,” “hereby” and derivative or similar words refer to this entire Scheme and not to any particular Clause, sub-Clause or section of this Scheme;
- d) whenever this Scheme refers to a number of days, such number shall refer to calendar days unless otherwise specified;
- e) any reference to any statute or statutory provision shall include:
  - all subordinate legislation made from time to time under that provision (whether or not amended, modified, re-enacted or consolidated); and
  - such statute or provision as may be amended, modified, re-enacted or consolidated.
- f) headings and captions are used for convenience only and shall not affect the interpretation of this Scheme;
- g) references to Recitals, Clauses and sub-Clauses shall be deemed to be a reference to the recitals, clauses and sub-clauses of this Scheme;
- h) reference to a Clause number shall also include reference to all its sub-Clauses;

## 3. Quantum of Shares subject to the Scheme

- 3.1 Subject to Clause 10.1 and 10.2 of the Scheme, the shareholders of the Bank by way of special resolution dated 29/08/2025 approved the Scheme authorizing the Committee to Grant not exceeding 1,47,34,974 Options to the eligible Employees in one or more tranches, from time to time, which represents approximately 0.60% of the fully paid up Equity Share Capital of the Bank as on 31/03/2025 with each such Option conferring a right upon the Employees to apply for one Share in the Bank in accordance with the terms and conditions as may be decided under the Scheme and mentioned in the Grant Letter. The maximum number of Options that may be granted to any Employee under this Scheme shall not exceed 0.05% of the total paid-up equity share capital of the Bank as on the date of the grant, in any one Financial Year during the tenure of the Scheme.
- 3.2 If an Option expires, lapses, gets cancelled, surrendered, or becomes un-exercisable due to any reason/s, it shall be brought back to the Options pool and shall become available for future Grants, subject to compliance with the provisions of the Scheme and Applicable Law.
- 3.3 Where Shares are allotted consequent upon Exercise of an Option under the Scheme, the maximum number of Options that can be allotted under Scheme as referred to in Clause 3.1 above shall stand reduced to the extent of such Shares allotted.

## 4. Administration

- 4.1 The Scheme shall be administered by the Committee working under the powers delegated by the Board. The Committee may delegate its power to administer the Scheme to the Scheme Administrator who shall act under the advice, direction, and guidance of Committee.

- 4.2 The acts of majority of the members of the Committee present at any meeting (at which the quorum is present) or acts approved in writing by a majority of the entire Committee shall be the acts of the Committee for the purpose of the Scheme. Any decision of the Board/ Committee in the interpretation and administration of this Scheme, shall lie within its sole and absolute discretion and shall be final, conclusive, and binding on all parties concerned (including, but not limited to, Employee, Grantee, Nominee and their Beneficiaries and successors). The Bank (including the Committee) shall not be liable for any action or determination made in good faith with respect to this Scheme or any Option granted thereunder.
- 4.3 Subject to compliance with Applicable Laws and limitations set out in the Scheme, the Committee shall do the following:
- a) Adopt rules and regulations for implementing the Scheme from time to time;
  - b) Identify the Employees eligible to participate under the Scheme;
  - c) Grant Options in one or more tranches, to the identified eligible Employees and determine the Grant Date;
  - d) Determine the quantum of the Options, shares or benefits as the case may be, to be granted under the Scheme per Employee and in aggregate;
  - e) Determine the number of additional Options to be granted to the eligible Employees from time to time;
  - f) Determine the conditions including the performance conditions, parameters and criteria under which Options, shares or other benefits as the case may be, may vest in employees and may lapse in case of termination of employment for misconduct;
  - g) Determine whether an Employee has been terminated for Cause;
  - h) Determine the right of an Employee to Exercise all the Vested Options in one or more tranches, at one time or various points in time when the Options have become vested and capable of being exercised;
  - i) Determine the Exercise Price for exercising the Vested Options granted to the Eligible Employees in pursuance of the Scheme, which shall not be less than the face value of the shares of the Bank;
  - j) Determine and notify the Exercise Period within which the employee can exercise the Options and when the Options would lapse on failure to exercise the same within the Exercise Period;
  - k) Determine or modify the specified time period within which Employees shall exercise the vested Options in the event of termination ;
  - l) Where any corporate actions may warrant adjustment to the number of Options and/ or the Exercise Price, refer such matters to the Board, at its discretion;
  - m) Determine the procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of Options and to the exercise price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard, the following shall, *inter alia*, be taken into consideration by the Committee:
    - i. the number and price of Options shall be adjusted in a manner such that total value to the 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 employee(s) who is granted such Options;
  - n) Determine the grant of Options in case of Employees who are on long leave;
  - o) Refer to the Board for any decision to alter/ amend the Scheme subject to Clause 10 of the Scheme;
  - p) Determine the procedure for funding the exercise of Options;
  - q) Determine the procedure for buy-back of specified securities (as defined under SEBI (Buyback of Securities) Regulations, 2018) issued under the SEBI (SBEB and Sweat Equity) 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.
  - r) Take any other actions and make any other determinations or decisions that it deems necessary or appropriate in connection with the Scheme or the administration or interpretation thereof;
  - s) Decide all other matters that must be determined in connection with a Grant under the Scheme;

- t) Construe and interpret the terms of the Scheme, and the Options granted pursuant to the Scheme;
  - u) Refer to the Board any issue arising as a result of any inconsistency in the Scheme, unless such inconsistency is of an administrative nature only;
  - v) Perform such other functions and duties as shall be required under the Applicable Laws;
  - w) To amend the terms and conditions of the Grant Letter as the Committee may deem fit in accordance with the Scheme and as per mutual agreement with the Grantee and subject to Applicable Laws.
- 4.4 Under the overall authority of the Committee, the Scheme Administrator shall be authorised and responsible to take necessary administrative steps in order to implement, supervise and administer the Scheme, including: -
- a) Determine employee-wise number of grants for Committee's approval
  - b) Issue, amend, modify the Grant Letter to Grantees
  - c) Compute Vesting of Options as per the Scheme
  - d) Accept nomination forms/exercise notices from Grantees via physical or electronic means.
  - e) Execute, sign, and deliver all letters, correspondence, certificates, undertaking and other deeds and documents on behalf of the Bank for any purpose incidental or ancillary to the Scheme
  - f) Appoint any consultant, lawyer, professional etc. for any legal opinion, advice, views or to represent the Bank before any statutory or non-statutory authority. Also, appoint valuer / chartered accountant as may be required.
  - 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 Committee.
  - h) Approve forms, writings and/or agreements for use in pursuance of the Scheme.
- 4.5 The Committee shall formulate suitable policies and procedures to ensure that there is no violation of Companies Act, 2013, securities laws including SEBI (Prohibition of Insider Trading) Regulations, 2015 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003, each as amended, by the Bank and its Employees, as and when such Regulations are made applicable to the Bank.
- 4.6 With regard to the matters specifically not provided for in this Scheme or any other documents that may be issued in connection with the Stock Options, the Committee shall have an absolute discretion to decide such matters in the manner deemed fit by them in the best interests of the Employees / Grantees as may be permissible under the Applicable Law, rules and regulations for the time being in force. The decision of the Committee shall be final and binding on the Employees / Grantees.
- 5. Eligibility and Applicability**
- 5.1 Only Employees within the meaning of this Scheme are eligible for being granted Options under this Scheme. The eligible Employees to whom the Options would be granted, and their eligibility criteria would be determined by the Committee.
- 5.2 The appraisal process for determining the eligibility of the Employee will be determined by the Committee from time to time and will *inter alia* be based on criteria such as continued employment and achievement of performance conditions, based on the annual performance targets / parameters and/ or by any such criteria that may be determined by the Committee from time to time.
- 5.3 Based on the eligibility criteria as described in Clause 5.2 above of this Scheme, the Committee at its sole discretion will decide the Employees eligible for Grant of Options under this Scheme and

accordingly, the Bank acting through the Committee would Grant the Options to the identified Employees under the Scheme.

5.4 Further, the Committee at its own discretion may Grant Options to any new Employee at the time of joining the Bank or to any Employee for his performance in the Bank.

5.5 The Options shall be granted by the Committee to such Employees by issue of a Grant Letter, through the Scheme Administrator.

5.6 Where the Employee is a Director nominated by an institution as its representative on the Board of Directors of the Bank –

- i the contract or agreement entered into between the institution nominating its employee as the Director of the Bank, and the Director so appointed shall, *inter alia*, specify the following:
  - a. whether the Options granted by the Bank under the Scheme can be accepted by the said Employee in his capacity as Director of the Bank;
  - b. that Options if granted to the Director, shall not be renounced in favour of the nominating institution; and
  - c. the conditions subject to which fees, commissions, other incentives, etc. can be accepted by the Director from the Bank.
- ii the institution nominating its employee as a Director of the Bank shall file a copy of the contract or agreement with the Bank, which shall, in turn file the copy with all the Stock Exchanges on which its Shares are listed.
- iii 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.

## **6. Grant and Acceptance of Grant**

### **6.1 Grant of Options**

- i. Subject to the overall limits prescribed in Clause 3.1 of this Scheme, the Options may be granted in one or more tranches. The Grant of the Options by the Bank to the Grantee shall be made in writing or through any other electronic medium identified by the Bank and communicated to the Grantee by a Grant Letter. The Grant Letter shall specify the details of the Grant date, number of Options, the Vesting Period, schedule of Vesting, conditions for Vesting, the Exercise Price, Exercise Period and any other terms and conditions that the Committee may deem necessary. Further, no Options shall be offered unless the disclosures as specified in Part G of Schedule - I of the SEBI (SBEB and Sweat Equity) Regulations made by the Bank to the prospective Grantees.
- ii. The Employees identified for Grant of Options shall be furnished with following documents along with Grant Letter:
  - a. the disclosures prescribed under the SEBI (SBEB and Sweat Equity) Regulations including the salient features of the Scheme;
  - b. such documents as may be prescribed by Committee from time to time.
- iii. Grant of Options shall be subject to the following terms and conditions and to such other terms and conditions as shall from time to time be approved by the Committee which shall not be inconsistent with the Scheme and Applicable Laws:

- a. No Employee shall have any right to demand from the Bank for Grant of Options, nor shall the Bank have any such obligation to any Employee.
- b. It is clearly understood that the Grant or Vesting of any Options to a Grantee, *per se*, does not assure accrual of a benefit or profit.
- c. Upon completion of the Vesting Period, the Grantee shall have the right to purchase the Shares equivalent to the number of Options held by issuing the Exercise Application via electronic means. Even after the completion of the Vesting Period, the Employee will not be entitled to any dividends, rights issue or bonus Shares issued until the Options are Exercised, Exercise Price is paid by the Grantee and Shares issued thereunder are allotted to the Employee.

## 6.2 Acceptance of the Grant

- i. Any eligible Employee who wishes to accept the Grant will be deemed to have accepted the offer made under this Scheme, unless the employee is opting out the offer on or before the Closing Date which shall not be more than 60 days from the date of the Grant, or such extended date as may be approved by the Committee, in a manner as specified in the Grant Letter.
- ii. Any eligible Employee, who fails to opt out of the scheme on or before the Closing Date stated above, shall be deemed to have accepted the Grant unless the Committee determines otherwise.

## 7. Vesting Schedule and Vesting Conditions

- 7.1 Subject to Clause 8.2(b) of the Scheme, the minimum vesting period shall be one year and maximum vesting period shall be 4 years from the date of grant unless such period as may be mentioned in the Grant Letter to the Grantee.

**Provided** that in case where Options are granted by the Bank under this Scheme in lieu of options held by a person under a similar Scheme in another company ("Transferor Company") which has merged or amalgamated with the Bank, the period during which the options granted by the Transferor Company were held by him may be adjusted against the minimum Vesting Period required under this Sub-clause.

Provided further that in the event of death of the employee while in employment, all the Options granted under this Scheme to him/her till his/her death shall vest, with effect from the date of his/her death, in the legal heirs or nominees of the deceased Employee, as the case may be and the exercise Period shall be 3 years from the date of vesting ( i.e., date of death of the employee)

Provided further that in case the Employee suffers a permanent incapacity while in employment, all the Options granted to him/her under this Scheme as on the date of permanent incapacitation, shall vest in him/her on that day and the exercise Period shall be 3 years from the date of vesting ( i.e., date of incapacitation)

- 7.2 The Options granted to any Grantee shall vest within the following Vesting Period:  
If the vesting period is 3 years

- 1/3<sup>rd</sup> of Options would vest at the end of 1<sup>st</sup> year from date of Grant;
- 1/3<sup>rd</sup> of Options would vest at the end of 2<sup>nd</sup> year from date of Grant;
- Balance 1/3<sup>rd</sup> of Options would vest at the end of 3<sup>rd</sup> year from date of Grant;

Notwithstanding above, the Committee shall at its sole discretion revise/modify the Vesting Schedule as it may deem necessary in the Grant Letter.

Further, vesting of Stock Options in the case of Employees in the service shall be subject achievement of performance conditions, based on the annual performance targets / parameters as determined by the Committee and mentioned in the Grant Letter, the above Eligible Options shall Vest in accordance with Clause 7.3 to 7.10 below.

For the purpose of determining number of options to vest in any given tranche, fractional Options may be rounded off to nearest whole number. Such rounding off may be off-set in the last vesting such that total number of options to vest does not exceed number of options granted.

7.3 At the time of Grant, Committee may set annual performance targets/ parameters for the Vesting:

- a) Upfront for all years; or
- b) For each year in first quarter of every Financial Year which will be communicated to Employees in first quarter of every Financial Year,

Above shall be at the discretion of Committee.

7.4 The Vesting will be based on the following performance parameters namely:

- **Bank's Performance** - Vesting of Options will be dependent on the business performance parameters such as Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA), Net Interest Margin (NIM), Net Non-Performing Assets (NNPAs), Return on Equity, Return on Asset, CASA of the Bank
- **Individual Performance** – Individual performance is a performance condition for vesting of Options under the Scheme. Vesting of Options will be dependent on the annual performance ratings of the individual employees.
- Such other parameter as may be decided by the Committee.

7.5 The weightages of the performance parameters will be decided by the Committee and will be communicated to Grantee through Grant Letter. Further, for the purpose of determining vesting of any tranche, the performance achievement vis-à-vis target for the immediately preceding financial year would be considered.

7.6 The Committee may add or replace the above with any other Company performance parameter aligned to long term shareholder value creation from time to time.

7.7 Options which do not Vest on Vesting date on account of non-fulfilment of performance targets shall automatically lapse, without any obligations whatsoever on the Bank (including the Board or Committee) and no rights in that regard will accrue to the Employee after such date.

7.8 Such Unvested Options shall revert to the pool of the Scheme and may be granted at the discretion of the Committee to any other Eligible Employee.

7.9 Subject to Applicable Laws, and unless the Committee decides otherwise, no Options shall vest in an Employee, if such Employee carries on or engages in, directly or indirectly, whether through partnership or as a shareholder, joint venture partner, collaborator, consultant or agent or in any other manner whatsoever, whether for profit or otherwise, any business which competes directly or indirectly with the whole or any part of the business carried on by the Bank or any activity related to the business carried on by the Bank. Decision of the Committee in this regard shall be final and conclusive and cannot

be called in question by the Employee. For the sake of clarity, the restriction contained in this Clause shall not apply to any investment held as a portfolio by the Employee or any activity/ business carried out by the Employee pursuant to his duties as an Employee and shall not apply to the Nominee/Beneficiary of the Employee.

- 7.10 Notwithstanding anything otherwise contained in this Scheme and Subject to Clause 8.2 below, as a prerequisite for a valid Vesting, an Option Grantee is required to be in employment or service of the Bank on the Vesting Date and must not be subject to any disciplinary proceedings pending against him on Vesting Date. In case of any disciplinary proceedings against any Option Grantee, the Committee can keep the relevant Vesting in abeyance until disposal of the proceedings and such Vesting shall be determined accordingly.

## **8. Exercise of Options**

### **8.1 Exercise Price & condition:**

- i. The Exercise Price shall be the Face Value of the shares.
- ii. Subject to the Applicable Laws and the terms of this Scheme, an Employee/ Beneficiary can Exercise Vested Options only within the exercise period by applying to the Bank during the Exercise Period, by way of an Exercise Application via electronic medium or any other medium as identified by the Bank and upon payment of the Exercise Price.
- iii. The Scheme Administrator can decide the procedure for the exercise of Options and Allotment of Shares.
- iv. No Vested Option shall be exercisable in its fractional form and each Option entitles the Employee/Beneficiary thereof to apply for and be allotted 1 (one) Share each on the payment of the Exercise Price during the Exercise Period, subject to the terms and conditions specified in the Grant Letter.
- v. No amount shall be payable by the Option Grantee at the time of Grant and hence no amount is required to be forfeited even if an Employee does not Exercise the Options within Exercise Period and accordingly no adjustment is required to be made for the same.
- vi. Exercise of the Vested Options shall take place at the time and place designated by the Scheme Administrator and by executing such documents as may be required under the Applicable Laws and the terms of this Scheme to pass a valid title of the relevant Shares to the Employee/ Nominee, free and clear of any liens, encumbrances and transfer restrictions save for those set out therein. The Option granted to the eligible Employee shall not be pledged, hypothecated, mortgaged, or otherwise alienated in any other manner.
- vii. A Vested Option shall be deemed to be validly exercised only when the Scheme Administrator receives written or electronic communication of Exercise Application from the Employee/ Beneficiary and, subject to Clause 17 of this Scheme, the full payment of the Exercise Price, taxes (wherever arising) and any other sums due referred to in Clause 17 to the Bank as per this Scheme in respect of Exercise of the Option ('Aggregate Exercise Price').
- viii. The Aggregate Exercise Price shall be paid in full upon the Exercise of the Vested Options. Payment must be made by one of the following methods:

- a) Cheque or demand draft issued in the name of the Bank; or
  - b) Remittance directly from the Employee's bank to the bank account of the Bank (wire transfer) as the Scheme Administrator may specify; or
  - c) Any combination of such methods of payment or any other method acceptable to the Scheme Administrator at its sole discretion and stipulated in the Scheme.
- ix. At the time of allotment/ transfer of Shares pursuant to a valid Exercise, the Employee/ Beneficiary may be required to sign or execute such documents as may be considered necessary by the Committee or Scheme Administrator via physical or electronic means to lawfully execute/ enforce various provisions of this Scheme.
  - x. The Scheme Administrator shall endeavour to ensure that the process of allotment of Shares to the Employee/Beneficiary who has validly exercised his Vested Options is completed within a reasonable period of time on receiving the Exercise Application and Aggregate Exercise Price by the Scheme Administrator.
  - xi. Notwithstanding anything contained in this Scheme and, if the Employee/ Nominee does not Exercise his Vested Options within the time period as specified by terms of this Scheme, the Options shall automatically lapse at the end of the aforesaid period without any obligations whatsoever on the Bank (including the Board and/ or Committee) and no rights in that regard will accrue to the Employee after such date.
  - xii. If the Exercise of Options within the Exercise Period, is prevented by any law or regulation in force, the Committee shall defer or not permit the Exercise of Options till such time as it is prohibited by the applicable laws or regulations and in such an event the Bank shall not be liable to pay any compensation or similar payment to the Option Grantee for any loss suffered due to such refusal.
  - xiii. Only upon allotment of the Shares, the Employee/ Nominees shall become Shareholders. The Shares to be allotted shall rank *Pari passu* in all respects with the existing Shares of the Bank.
  - xiv. All such unexercised Options that so lapse, shall revert to the pool of the Scheme, and may be granted at the discretion of the Committee to any other Eligible Employee.
  - xv. Subject to the Exercise Period, the Vested Options may be Exercised during the lifetime of the Employee, only by the Employee and after his demise, by his / her legal heirs / nominee, as may be applicable.

## 8.2 Exercise Period:

### (a) While in employment:

The Exercise Period shall be 3 years from the date of respective Vesting of Options, or such other period as may be decided by the Committee at its sole discretion from time to time and mentioned in the Grant Letter. The Options Vested may be exercised by the Grantee at one time or at various points of time within the Exercise Period in one or more tranches.

### (b) Exercise Period in case of separations: Options can be Exercised as per provisions outlined below:

Sr. No.	Separations	Vested Options	Unvested Options
1.	<b>Resignation</b> [Other than due to Cause like fraud/ misconduct]	Subject to the terms and conditions of the Grant Letter and the provisions of Scheme, all Vested Options as on the last working day may be Exercised by the Option Grantee within the exercise period.	All Unvested Options as on the last working day of the Option Grantee shall lapse with effect from his/ her last working day.
2.	<b>Termination (With Cause like fraud, misconduct etc.)</b>	All Vested Options which are unexercised as on the date of termination shall lapse.	All Unvested Options as on the date of termination shall lapse.
3.	<b>Termination (Without Cause)</b>	All Vested options which are unexercised shall be exercised by the option grantee within such period as may be decided by the Committee at its sole discretion.	All Unvested Options as on the date of termination shall lapse.
4.	<b>Retirement</b>	All Vested Options as on date of retirement may be Exercised by the Option Grantee within the exercise period.	All Unvested Options as on the date of retirement shall vest as per the vesting schedule and can be Exercised by the Option Grantee within the exercise period
5.	<b>Voluntary Retirement</b>	All Vested Options as on date of early retirement may be Exercised by the Option Grantee within the exercise period.	All Unvested Options as on the date of retirement shall lapse
6.	<b>Death</b>	All Vested Options may be Exercised by the Option Grantee's Nominee or legal heir within the Exercise Period.	All Unvested Options as on the date of death shall vest immediately and may be Exercised within 3 years from Date of vesting (i.e., date of death of the Employee).
7.	<b>Permanent Disability / Incapacity</b>	All Vested Options may be Exercised by the Option Grantee within such period as may be decided by the Committee at its sole discretion.	All Unvested Options as on the date of such permanent disability/ incapacity shall vest immediately and can be Exercised within 3 years from Date of vesting (i.e. date of permanent incapacitation of the employee).

8.	<b>Any other reason not specified above</b>	The Committee at its discretion shall decide the treatment of the Vested Options and such decision shall be final.	The treatment of unvested options shall be as decided by the Committee at its sole discretion and such decision shall be final and binding.
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**8.3 Long Leave:**

- (i) Employees who are on Long Leave can exercise the vested Options (as on the start of Long Leave) within the exercise period. The unvested Options shall continue to vest in accordance with the vesting schedule and conditions as mentioned in the Grant Letter.
- (ii) Notwithstanding anything mentioned in Clause 8.3(i), the Committee may extend the vesting period for unvested Options up to the period of long leave and amend the performance conditions for the Options.

8.4 The rights granted to a Grantee upon the grant of an Option shall not afford the Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with any present or past member of the group or associated company for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

8.5 In the event of transfer of an Employee from the Bank to its Subsidiary company (ies) (present or future) or Associate Company (present or future), or a Group Company (present or future), all unvested Options as on the date of transfer of the Employee shall continue as per the Vesting Schedule and Conditions specified under Clause 7 above and can be exercised within the exercise period.

8.6 In the event that an Employee who has been granted benefits under this Scheme, is transferred pursuant to scheme of arrangement, amalgamation, merger or demerger or continued in the existing Company, 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 Employee.

8.7 The Options not Exercised within the Exercise Period shall lapse without any obligations whatsoever on the Bank (including the Board or Committee) and no rights in that regard will accrue to the Employee after such date. Such Unvested Options shall revert to the pool of the Scheme and may be granted at the discretion of the Committee to any other Eligible Employee.

**9. Ranking, listing of shares and rights of shareholders**

9.1 The Shares allotted on the Exercise of Vested Options shall rank *pari passu* with all the existing Shares subject to such exceptions and restrictions as may be specified in Articles of Association of the Bank and this Scheme.

9.2 At the time of allotment of Shares pursuant to a valid Exercise, the eligible Employee will be required to sign such document or exercise through any other electronic medium identified by the Bank as may be considered necessary by the Scheme Administrator to lawfully execute/ enforce various provisions of this Scheme.

9.3 The Shares allotted on Exercise of Vested Options shall be listed immediately on all Recognised Stock

Exchange where the existing Shares are listed subject to compliance of all the Applicable Laws and Regulations.

- 9.4 No Grantee shall have a right to receive any dividend or vote at any general meeting of the Bank or in any manner enjoy the benefits of a shareholder in respect of Options Granted or Vested, till the Shares are allotted to the Grantee on Exercise of Options.

## **10. Corporate Action**

- 10.1 In case of Corporate Action, including but not limited to Share split, merger, demerger, sale of division, consolidation, rights issues, bonus issues and other corporate actions, the Committee in accordance with applicable Laws shall ensure while taking into consideration the global best practices in this area that adjustment to Exercise Price, Number of options granted, accelerated vesting, Adjustment of Vesting Conditions, etc, shall be appropriately made without prejudice to the interest of the Employee. The decision of the Board / Committee on whether such action is necessary and the extent of such action by the Board shall be final and binding.

- 10.2 In case of a Share split or consolidation, if the revised face value of the Share is less or more than the current face value as prevailing on the date of coming into force of this Scheme, the maximum number of Options available for being granted under Scheme as specified above shall stand modified accordingly, so as to ensure that the cumulative face value (no. of Options X face value per underlying Share) prior to such Share split or consolidation remains unchanged after adjusting for such Share split or consolidation.

- 10.3 The Committee may determine the procedure for making fair and reasonable adjustments to the number of Options and the terms and Conditions of this Scheme in case of corporate actions such as further capitalization, mergers, sale of division and others (so as to ensure the economic value of the benefits granted are not materially altered by either the corporate action, or the adjustment required as a result of the corporate action).

In this regard following shall be taken into consideration by the Committee:

- I. the number and price of Options shall be adjusted in a manner such that total value to the employee of the options remains the same after the corporate action;
- II. the vesting period, vesting conditions and the life of the Options shall be left unaltered as far as possible to protect the rights of the employee(s) who is granted such Options.

## **11. Lock-in**

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

**Provided that** the transferability of the Equity Shares shall be subject to the restriction for such period in terms of the SEBI (Prohibition of Insider Trading), Regulations, 2015, as amended from time to time or for such other period as may be stipulated from time to time in terms of Company's Code of Conduct for Prevention of Insider Trading as and when such Regulations are made applicable to the Bank.

## **12. Beneficiary/Nominee Designation**

Each Employee under this Scheme may nominate, from time to time, any Beneficiary or Beneficiaries to whom any benefit accrued to such Employee under this Scheme is to be delivered in case of his or her death before he or she receives all of such benefit. Each such nomination shall revoke all prior nominations by the same Employee, shall be in a form prescribed by the Bank and will be effective only when filed by the Employee in writing with the Bank or through any other electronic medium identified by the Bank during the Employee's lifetime.

### **13. Surrender of Options**

An Employee may surrender his/her Vested /Unvested Options at any time during / post his employment with the Bank. Any Employee willing to surrender his/her Options shall communicate the same to the Scheme Administrator in writing or through any other electronic medium identified by the Bank. Thereafter, the surrendered Options shall expire with effect from the date of surrender of Options and become available for future grant under the Scheme.

### **14. No Right of Employment**

The Grant of Options under this Scheme does not create a right to continued employment with the Bank. Nothing in this Scheme or Grant Letter shall interfere with or limit in any way the right of the Bank to terminate the employment of the Employee at any time.

### **15. Buy-back of Specified Securities**

The Board in accordance with Applicable Laws may lay down the procedure for buy-back of Specified Securities issued under this Scheme, to be undertaken by the Bank at any time under the SEBI (Buyback of Securities) Regulations, 2018, which shall include:

- 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.

### **16. Arbitration**

16.1 In the event of a dispute arising out of or in relation to the provisions of this Scheme or any communication in relation thereto (including a dispute relating to the Construction or performance thereof), the relevant parties shall attempt in the first instance to resolve such disputes through an amicable settlement. The attempt to bring about an amicable settlement shall be considered to have failed as soon as one of the parties hereto, after a reasonable attempt, which attempt shall continue for not more than 90 days, gives 90 days' notice thereof to the other party in writing. In case of such failure, either party may refer the dispute to a single arbitrator appointed by both the parties and failing such agreement, to three arbitrators, one to be appointed by each party and the third arbitrator to be jointly appointed by the two arbitrators appointed by the parties. The arbitration proceedings shall be held in Kochi under and in accordance with the Arbitration and Conciliation Act, 1996 and any statutory modification or re-enactment thereof. The arbitrator shall give a reasoned award in writing. The arbitrator shall also decide on the costs of the arbitration proceedings. The parties shall submit to the arbitrator's award and the award shall be enforceable in competent court of law at Kochi. Nothing in this Clause will however limit the right of the Bank to bring proceedings against any Employee in connection with this Scheme:

- a) in any other court of competent jurisdiction; or
- b) concurrently in more than one jurisdiction.

## **17. Tax implications**

- 17.1 All Shares issued to the Employee/Beneficiary on exercise of Options granted under this Scheme, dividend or any other amounts payable by the Bank to the Employee/Beneficiary pursuant to this Scheme shall be subject to all applicable taxes, withholding tax and/ or any levy and/ or any contribution and/ or any sums due (by whatever name it is called) arising due to participation in this Scheme (in or outside India), if any, and the Bank accordingly, may withhold/ recover such taxes and/ or levy and/ or contribution and/ or payment in full unless the Bank decides to withhold in part.
- 17.2 Notwithstanding anything contained in any other Clauses of this Scheme, if the Grant of the Option and/ or the Vesting of Option and/ or the Exercise of the Options and/ or allotment or transfer of the Shares under the Scheme and /or at any time while this Scheme is in operation shall be subject to any levy and/ or taxes or contribution or payment (by whatever name called), if any, that is levied on or payable by the Bank (in or outside India), then such taxes and/ or levy and/ or contribution and/ or payment shall be recovered in full from the Employee.
- 17.3 Notwithstanding anything else contained in this Scheme, no Shares/ sale proceeds therefrom, as the case may be, shall be issued/ allotted/ transferred/ disbursed to the Employee/ Nominee, on Exercise of the Options under this Scheme, unless appropriate levies/ taxes/ contributions/ payments as given in this Clause are recovered in full from the Employee or Beneficiary.

## **18. Authority to vary terms and re-pricing**

- 18.1 The Bank may by special resolution vary the terms of Scheme offered pursuant to an earlier resolution of a general body but not yet exercised by the Grantee provided such variation is not prejudicial to the interests of the Option holders. Notwithstanding anything to the contrary contained herein, the Board can vary the terms of the Plan to meet any regulatory requirement without seeking shareholders' approval by special resolution.
- 18.2 The Bank shall not vary the terms of the Scheme in any manner, which may be detrimental to the interests of the Employees subject to any variation required to meet any regulatory requirements.
- 18.3 The provisions of Regulation 7 of the (SBEB and Sweat Equity) Regulations shall apply to such variation of terms as they do to the original Grant of Options.
- 18.4 The notice for passing special resolution for variation of terms of Scheme shall disclose full details of the variation, the rationale thereof, and the details of the Grantee who are beneficiary of such variation.
- 18.5 The Bank may re-price Options which are not Exercised, whether or not they have been Vested, if the Scheme becomes unattractive due to a fall in the price of Shares in the market; provided that the Bank determines that such re-pricing shall not be detrimental to the interest of the Employees and the approval of shareholders has been obtained for such re-pricing.

## **19. Malus/ Clawback**

- 19.1 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.

## **20. Accounting and Disclosures**

- 20.1 The Bank shall follow the laws/regulations applicable to accounting and disclosure related to Employee Stock Options, including section 133 of the Companies Act but not limited to SEBI (SBEB and Sweat Equity) Regulations as well as the Guidance Note on Accounting for Employee Share-based Payments and/ or any relevant Accounting Standards as may be prescribed by the regulatory authorities from time to time, including the disclosure requirements prescribed therein, as and when applicable to the Bank.
- 20.2 The Bank shall make disclosures to the prospective Option Grantees containing statement of risks, information about the Bank and salient features/Scheme document of the Scheme in a format as prescribed under SEBI (SBEB and Sweat Equity) Regulations or any other Applicable Law as in force.
- 20.3 The Bank shall disclose details of Grant, Vest, Exercise, and lapse of the Options in the Directors' Report or in an annexure thereof as prescribed under Companies Act, SEBI (SBEB and Sweat Equity) Regulations or any other Applicable Laws as in force.
- 20.4 The Board of Directors shall at each annual general meeting place before the shareholders a certificate from the Secretarial Auditors of the Bank that the Scheme has been implemented in accordance with the prescribed regulations and in accordance with the resolution of the Bank passed by the shareholders at the general meeting.
- 20.5 The Bank shall, in its subsequent annual reports, disclose details of its performance parameters and their respective weightage, the target for each parameter, and the actual achievement, based on which the vesting of options was approved during the year. Additionally, the Bank shall report the number of options granted, number of options vested and exercisable, number of options due for vesting, number of options exercised, and number of options lapsed.

## **21. Governing Laws**

- 21.1 This Scheme and all agreements thereunder shall be governed by and construed in accordance with the Applicable Laws of India. The Grant of Options and issue and allotment of Shares under this Scheme shall entitle the Bank to require the Employee to comply with such requirements of Applicable Laws as may be necessary in the opinion of the Committee. In case of any conflict between the provisions of this Scheme and Grant Letter, the provisions of this Scheme shall prevail. In case of any conflict between the provisions of this Scheme and any provisions, rules, regulations, or guidelines issued under Applicable Laws, the provisions of the Applicable Laws shall override the provisions of this Scheme and Grant Letter to the extent of such conflict.
- 21.2 In the event that any Applicable Laws render this Scheme as illegal or void, this Scheme shall automatically be treated as withdrawn and cancelled and the Bank shall have no obligation or liability whatsoever towards any Employee including in relation to any Vested Options or Unvested Options. The inability of the Bank to obtain approval from any regulatory body having jurisdiction over the Bank, or under any Applicable Laws, for the lawful issuance of any Shares hereunder shall relieve and wholly discharge the Bank of any and all liability in respect of the failure to Grant the Options or issue the

Shares.

- 21.3 In case any Options are granted to any Employee being resident outside India belonging to the Bank working within or outside India, the provisions of the Foreign Exchange Management Act, 1999 and Reserve Bank of India Act, Rules or Regulations made thereunder and any other Applicable Laws in or outside India as amended and enacted from time to time shall be applicable, and the Bank has to comply with such requirements as prescribed from time to time in connection with Grant, Vesting, Exercise of Options and allotment of Equity Shares thereof.
- 21.4 The Committee may make such rules and regulations and establish such procedures for the administration of the Scheme, as it deems appropriate. In the event of a disagreement as to the interpretation of this Scheme or of any rule, regulation, or procedure or as to any question, right or obligation arising from or related to the Scheme, the decision of the Committee shall be final.

## 22. Notices

- 22.1 All notices of communication required to be given by the Bank to an Option Grantee by virtue of this Scheme shall be in writing or electronic mode. The communications shall be made by the Bank in any one or more of the following ways:
- (i) Sending communication(s) to the address of the Option Grantee available in the records of the Bank; or
  - (ii) Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; or
  - (iii) Emailing the communication(s) to the Option Grantee at the official email address provided, if any, by the Bank to the prospective /existing Option Grantee during the continuance of employment or at the email address provided by the Option Grantee after cessation of employment.
  - (iv) By electronic means through the HR portal of the Bank.
- 22.2 Any communication to be given by an Option Grantee to the Bank in respect of Scheme shall be sent to the person at the address mentioned below or e – mailed at:

**Designation:** The Company Secretary

**Address:** Secretarial Department, The Federal Bank Limited, Federal Towers, P B No 103, Aluva, Kerala- 683101

**Email:** Secretarial@federalbank.co.in

## 23. Severability

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

## 24. Confidentiality

- 24.1 An Option Grantee must keep the details of the Scheme 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 Bank or that of its affiliates. In case Option Grantee is found in breach of this Clause on confidentiality, all unexercised Options shall stand cancelled immediately. The decision and judgement of the Committee regarding breach of this Clause on confidentiality shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this Clause, the Committee shall have the authority to deal with such cases as it may deem fit.

24.2 On acceptance of the Grant of Option offered by the Bank, it shall be deemed that as if the Option Grantee has authorized the Bank to disclose information relating to the Option Grantee during the process of implementation of the Scheme or while availing any consulting or advisory services thereof or any other incidental services to its officers, professional advisors, agents and consultants on a need-to-know basis.

24.3 **“Confidential Information”** includes any and all information related confidential and privileged information, trade secrets, employment related information, strategies, administration, research in connection with the Bank or Promoters of the Bank, commercial, legal, scientific, technical data, business and financial information about costs, profits, markets, sales, customers and bids, business plans, marketing, future developments, product developments and new products concepts, schematics, techniques, suggestions, development tools and processes, computer programs, designs, drawings, manuals, electronic codes, device drivers, formulas and improvements, software demonstration programs, routines, algorithms, computer systems, techniques, documentation, designs, procedures, ideas, know-how, formulas, inventions (whether patentable or not), improvements, concepts, records, files, memoranda, reports, drawings, plans, price list, customer lists, vendor/partner lists, forecasts, apparatus, modules, samples, prototypes or parts thereof or any project names, product names, project information through visual images, distributor(s) and representative(s) list, employee(s), salary, benefits, payroll information, documents, books, papers, drawing, model, sketches, and the like provided to or made available to the employee by the Bank or developed by the employee to facilitate his/ her work or that the employee is able to know or has obtained access by virtue of his/ her employment or position with the Bank, as the case may be.

24.4 In furtherance of this Scheme, the Grantee confirms that:

- a) the Grantee shall not engage himself/ herself in activities that have or will have an adverse impact on the reputation of the Bank or Promoters of the Bank.
- b) while during employment with the Bank, the Grantee shall engage exclusively in the work assigned by the Bank and shall not take up any independent or individual assignments, whether the same is part time or full time, (in an advisory capacity or otherwise) and whether directly or indirectly.
- c) the Grantee shall not, directly, or indirectly, engage in any activity or have any interest in, or perform any services for any person who is involved in activities which are or shall be (in the sole opinion of the Board) in conflict with the interests of the Bank or Promoters of the Bank.
- d) in consideration of the Options granted to the Grantee, as also, opportunities, training and access to new techniques and know-how that has been made available to the Grantee, the Grantee shall also strictly abide by any and all of the terms of the employment agreed by the Grantee.
- e) the Grantee shall maintain as secret and confidential all Confidential Information and shall not use, divulge or disclose any such Confidential Information except as may be required under any obligation of law (subject to obtaining the consent of the Bank) or as may be required by

the Bank.

- f) the Grantee understands that the Grant of the Option is limited only to the Shares of the Bank, and the Grantee shall have no recourse to the shares of any other company in any manner whatsoever.

24.5 the Grantee understands that “Confidential Information” means any or all information about the Bank or Promoters of the Bank that satisfies one or more of the following conditions:

- a) such information which has not been made generally available to the public, save and except for information disclosed to the public with the consent of the Bank; or
- b) such information which is critical, in the Bank’s opinion, to the Bank’s current or anticipated business activities or those of a customer or supplier or associate or channel partner of the Bank or Promoters of the Bank and the disclosure of the same would affect their competitiveness; or
- c) such information which either has been identified as confidential by the Bank or Promoters of the Bank (either orally or in writing) or has been maintained as confidential from outside parties and is recognized as intended for internal disclosures only; or
- d) such information which either is of a nature that it gives a distinct edge to the Bank or Promoters of the Bank over competition when not shared with the competition, or is likely to give any advantage to the competition or any other organization/ person/ group of persons when shared with the organization/ person/ group of persons; or
- e) such information which is required to be kept confidential by any requirement of law.

## **25. Miscellaneous**

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

25.2 The rights granted to an Option Grantee upon the Grant of an Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Bank for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

25.3 Participation in this Scheme shall not be construed as any guarantee of return on equity investment. Any loss due to fluctuations in the Market Price of the Shares, if any, and the risks associated with the investments are that of the Employee alone.

25.4 This Scheme shall not confer on any person any legal or equitable rights against the Bank (including the Board and/ or Committee) directly or indirectly or give rise to any cause of action at law or in equity against the Bank (including the Board and/ or Committee).

25.5 The Grantee shall comply with the provisions of SEBI(Prohibition of Insider Trading) Regulations, 2015 and SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003, to the extent applicable, or other applicable regulations notified in accordance with Applicable Laws as well as any code of conduct or such similar policy procedure or system formulated or adopted by the Board and communicated to the Grantee from time to time. Any violation of the

Applicable Laws or code of conduct may result in cancellation of all Vested and Unvested Options as well as subject the Grantee to disciplinary action at the discretion of the Bank.

- 25.6 The Employee shall not have a right to receive any dividend or to vote or in any manner or enjoy the benefits of a shareholder in respect of Options granted, till Shares underlying such Options are allotted by the Bank on Exercise of such Options.
- 25.7 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Bank (for example, bonus shares, rights shares, dividend, voting, etc.) in respect of any Shares covered by the Grant unless the Option Grantee Exercises the Options and becomes a registered holder of the Shares of the Bank.
- 25.8 The Options granted shall not be pledged, hypothecated, mortgaged, or otherwise alienated in any other manner.
- 25.9 Options granted shall be personal to the Option Grantee and shall not be transferable to any person except in the event of death of the Option Grantee, in which case provisions in table under Clause 8.2(b) would apply.
- 25.10 No person other than the Employee to whom the Option is granted shall be entitled to any benefit arising out of the Options or to Exercise the Option except in the event of the death of the Option Grantee, in which provisions in table under Clause 8.2(b) would apply.
- 25.11 Nothing contained in the Scheme shall be construed to prevent the Bank and the Committee from implementing another share based benefit plan / scheme, which is deemed by the Bank to be appropriate or in its best interest, provided such other action would not have any adverse impact on the Scheme or any grant made under the Scheme. No Grantee shall have any claim against the Bank as a result of such action.
- 25.12 Subject to the provisions of Applicable Law, including the Companies Act, 2013, the Bank may at its sole discretion provide financial assistance to the Employees of such amounts and on such terms as may be deemed fit, to enable them to Exercise the Options.

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