



# Employee Stock Option Plan 2016

Muthoot Microfin Limited

## Muthoot Microfin Limited

13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai- 400051

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

- 1.1 This Employee Stock Option Plan shall be called the 'Muthoot Microfin Employee Stock Option Plan 2016' (hereinafter referred to as "**ESOP 2016**"/ "**Plan**").
- 1.2 The objective of the ESOP 2016 is to reward Employees (*defined hereinafter*) for their association with the Company (*defined hereinafter*) and its Group Company(ies) (*defined hereinafter*) including Associate Company(ies), Subsidiary Company(ies) and Holding Company(ies) (*each defined hereinafter*), their performance as well as to attract, retain, reward and motivate Employees (*defined hereinafter*) to contribute to the growth and profitability of the Company. The Company views this ESOP 2016 as an instrument that would enable sharing the value with the Employees which they create for the Company in the years to come.
- 1.3 The ESOP 2016 is established with effect from December 5, 2016 on which the shareholders have approved the ESOP 2016 by way of a special resolution and shall continue to be in force until (i) its termination by the Company as per provisions of Applicable Laws (*defined hereinafter*), or (ii) the date on which all of the Options (*defined hereinafter*) available for issuance under the ESOP 2016 have been issued and exercised or have lapsed or have been cancelled by the Committee (*defined hereinafter*) and the Committee does not intend to re-Grant the said lapsed or cancelled Options, whichever is earlier.
- 1.4 The Committee as authorized may subject to compliance with Applicable Laws, at any time alter, amend, suspend or terminate the ESOP 2016.

### 2. Definitions and Interpretation

#### 2.1 Definitions

- i. "Applicable Law" means every rule, regulation or law relating to employee stock options by whatever name called, including, without limitation, the Companies Act, 2013 (including any enactment or re-enactment thereof) and rules framed thereunder, Securities and Exchange Board of India Act, 1992, SEBI (SBEB & SE) Regulations, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2018 and all

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- relevant tax, securities, exchange control or corporate laws of India or of any relevant jurisdiction or of any stock exchange(s) on which the Shares are listed or quoted.
- ii. “Associate Company” shall have the same meaning as defined under section 2(6) of the Companies Act.
  - iii. “Board” means the Board of Directors of the Company including any duly constituted committee as the context requires.
  - iv. “Committee” means the Nomination and Remuneration Committee of the Board, as constituted, or reconstituted from time to time under Section 178 of the Companies Act entrusting supervision and administration of Plan. Provided that post Listing, the Committee shall be constituted as required under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
  - v. “Companies Act” means the Companies Act, 2013 read with rules issued thereunder from time to time and includes any statutory modifications or reenactments thereof.
  - vi. “Company” means “Muthoot Microfin Limited” a Company registered under the provisions of the Companies Act, 1956 having CIN: L65190MH1992PLC066228 and having its registered office at 13th Floor, Parinee Crescenzo, Bandra Kurla Complex, Bandra East, Mumbai– 400051. Provided where the context so requires, the term Company shall include the Holding Company, Subsidiary Company, Associate Company and Group company.
  - vii. “Company Policies/Terms of Employment” means the Company’s policies for Employees and the terms of employment as contained in the employment letter and the Company handbook, which includes provisions requiring a desired level of performance, securing confidentiality, non-compete and non-poaching of other employees and customers.
  - viii. “Director” means a member of the Board of the Company.

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- ix. “Eligibility Criteria” means the criteria such as tenure, designation and the appraisal, ratings or any other criteria as may be determined from time to time by the Committee for Granting Options to the Employees.
- x. “Employee” means
- A. Until the Listing of the Company:
- (i) a permanent employee of the Company working in India or out of India; or
  - (ii) a Director of the Company, whether a whole time Director or not; or
  - (iii) an employee, as defined in sub-clauses (i) or (ii) in this para, of a Subsidiary Company, in India or outside or of a Holding Company of the Company;
- but excludes
- a. an employee who is a Promoter or belongs to the Promoter Group; or
  - b. a Director who either by himself or through his relatives or through anybody corporate, directly or indirectly holds more than 10% (ten percent) of the issued and subscribed Shares of the Company; and
  - c. a Director being an Independent Director.
- B. Post Listing of the Company:
- (i) an employee as designated by the company, who is exclusively working in India or outside India; or
  - (ii) a Director of the company, whether a whole time Director or not, including a non-executive Director but excluding an Independent Director; or
  - (iii) an employee as defined in sub-clauses (i) or (ii) above, of a Group company including Subsidiary or its Associate Company, in India or outside India, or of a Holding Company of the Company,
- but excludes
- a. an employee who is a Promoter or belongs to the Promoter Group;
  - b. a Director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% (ten percent) of the outstanding equity Shares of the Company.
- xi. “ESOP 2016/Plan” means the Muthoot Microfin Employee Stock Option Plan 2016 under which the Company is authorized to Grant Options to the Employees.

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- xii. "Exercise" of an Option means expression of an intention, in writing, by an Option Grantee to the Company to purchase the Shares underlying the Options Vested in him, in pursuance of the ESOP 2016, in accordance with the procedure laid down by the Company for Exercise of Options. The term "Exercise" and "Exercised" shall be construed accordingly.
- xiii. "Exercise Period" means such period commencing after Vesting within which Vested Options may be exercised by an Option Grantee.
- xiv. "Exercise Price" means the price payable by an Option Grantee in order to Exercise the Vested Options granted to him in pursuance of the ESOP 2016 determined as per provisions of sub-clause 7.1 of the Plan. Provided that the Exercise Price shall be in compliance with the accounting standards as specified under the SEBI (SBEB & SE) Regulations, including any 'Guidance Note on Accounting for employee share-based Payments' issued in that regard from time to time.
- xv. "Fair Market Value" means (i) for grants prior to IPO, the value of a Share of the Company as determined by an independent valuer or by any other valuer as required under Applicable Laws for the time being in force appointed by the Company' and (ii) for Grants post IPO, the latest available closing price, prior to the date of meeting of the Board, in which Options are Granted, on the stock exchange. In case Shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.
- xvi. "Grant" means issue of Options to the Employees under the ESOP 2016. The term "Granted" and "Granting" shall be construed accordingly.
- xvii. "Grant Letter" means the letter issued by the Company, whether in physical or electronic mode, intimating the Employee, inter alia, of the Options Granted, along with details as regards Vesting and Exercise of Options.
- xviii. "Group" shall have the same meaning assigned to it under the SEBI (SBEB & SE) Regulations;
- xix. "Holding Company" means any present or future holding company of the Company, as per the provisions of the Companies Act, 2013.

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- xx. "Independent Director" means a Director within the meaning of Section 149(6) of the Companies Act and post Listing, will be as determined under Regulation 16(1)(b) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- xxi. "Liquidity Event" shall mean any of the following:
- (i) Listing, whereby the Shares of the Company get listed on any recognized stock exchange in India; and
  - (ii) Any other event, which the Committee may designate as a Liquidity Event for the purposes of the ESOP 2016.
- xxii. "Listing" means listing of the Company's Share on any recognized stock exchange which includes listing of Shares pursuant to initial public offering of Shares as per Applicable Laws.
- xxiii. "Misconduct" means disregard of the Company's bye-law, rules, regulations and the Company Policies/ Terms of Employment and includes mismanagement of position by action or inaction, alleged wrongdoing, misfeasance, or violation of any rule, regulation or law which was expected to be abided by the Employee.
- xxiv. "Option" means an option Granted to an Employee which gives such Employee the right, but not an obligation, to purchase or subscribe at a future date the Shares underlying the Option at a pre-determined price.
- xxv. "Option Grantee" means an Employee who has been Granted an Option in pursuance of the ESOP 2016 and having a right but not an obligation to Exercise the Options and shall deem to include nominee/ legal heir of such Option Grantee in case of death of Option Grantee to the extent provisions of the Plan is applicable.
- xxvi. "Permanent Incapacity" means any disability 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 Committee.

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- xxvii. “Promoter” means a person
- a) who has been named as such in a prospectus or is identified by the Company in the annual return;
  - b) who has control over the affairs of the Company, directly or indirectly whether as a shareholder, Director or otherwise; or
  - c) in accordance with whose advice, directions or instructions the Board of Directors of the company is accustomed to act:

Provided that nothing in sub-clause (c) shall apply to a person who is acting merely in a professional capacity.

Provided further that upon Listing, the term “Promoter” shall have the meaning as defined in the SEBI ICDR Regulations.

- xxviii. “Promoter Group” means (a) an immediate relative of the promoter (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse); (b) persons whose shareholding is aggregated for the purpose of disclosing ‘Shareholding of the promoter group’ in the offer document.

Provided further that upon Listing, the term “Promoter Group” shall have the meaning as defined in the SEBI ICDR Regulations.

- xxix. “Retirement” means retirement as per the applicable rules of the Company.
- xxx. “SEBI ICDR Regulations” means Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.
- xxxi. “SEBI (SBEB & SE) Regulations” means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 as amended from time to time read with all circulars and notifications issued thereunder.
- xxxii. “Secondary Acquisition” means acquisition of existing Shares by the Trust, on a delivery basis, on a recognized stock exchange for cash consideration.

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- xxxiii. “Shares” means equity shares of the Company of face value of Rs. 10 (ten) each fully paid-up including equity shares arising out of the Exercise of Options granted under the ESOP 2016.
- xxxiv. “Trust” means the MML Employee Welfare Trust set up by the Company, for the administration of the employee stock option plans of the Company and which may, from time to time, facilitate the implementation of the Plan and hold cash, shares or other securities of the Company for the purposes of any of the employee stock option plans of the Company implemented from time to time in accordance with Applicable Laws.
- xxxv. “Trustee” means trustee of the Trust.
- xxxvi. “Unvested Option” means an Option in respect of which the relevant Vesting Conditions or Vesting Period have not been satisfied and as such, the Option Grantee has not become eligible to exercise the Option.
- xxxvii. “Vested Option” means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option.
- xxxviii. “Vesting” means earning by the Option Grantee, of the right to Exercise the Options Granted to him in pursuance of the ESOP 2016. The term ‘Vest’ or ‘Vested’ shall be construed accordingly.
- xxxix. “Vesting Condition” means any condition subject to which the Options Granted would Vest in an Option Grantee.
- xl. “Vesting Period” means the period during which the Vesting of the Option Granted to the Employee, in pursuance of the ESOP 2016 takes place. Provided that, post Listing of the Company, in case of death or Permanent Incapacity, the minimum vesting period of 1 (one) year shall not apply.

### 2.2 Interpretation

In this Plan, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant to interpretation;

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- b) a reference to a clause number is a reference to its sub-clauses;
- c) words in singular number include the plural and vice versa;
- d) words importing a gender include any other gender;
- e) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference.

The terms defined in this ESOP 2016 shall for the purposes of this ESOP 2016 have the meanings herein specified and terms used and not defined in this ESOP 2016 shall have the meanings as defined in the SEBI (SBEB & SE) Regulations, Securities and Exchange Board of India Act, 1992, the Securities Contracts (Regulation) Act, 1956, Companies Act or Applicable Laws as the context requires. Reference to any Act, Rules, Statute or Notification shall include any statutory modifications, substitution or re-enactment thereof.

### **3. Authority and Ceiling**

- 3.1 The shareholders by way of special resolution dated December 5, 2016 and September 29, 2021 have authorized the Committee to issue to the Employees, such number of Options under the ESOP 2016 as would be exercisable into not more than 14,15,614 (Fourteen Lakhs Fifteen Thousand Six Hundred and Fourteen only) fully paid-up equity shares in the Company, in aggregate, of face value of Rs.10/- (Rupees ten) each, to be acquired/purchased through Secondary Acquisition by the Trust, at such Exercise Price, in one or more tranches and on such terms and conditions, as may be determined by the Board in accordance with the provisions of this ESOP 2016. Each Option when exercised will be Exercisable into 1 (one) Share of the Company.
- 3.2 The maximum number of Options that may be granted to an Employee shall vary depending upon the eligibility criteria such as tenure, designation and the appraisal, ratings; however, it shall not exceed 10,00,000 Options per eligible Employee. The Committee reserves the right to decide the number of Options to be granted and the maximum number of Options that can be granted to an Employee within this ceiling.
- 3.3 The Trust is entitled to acquire, hold or otherwise deal in not exceeding 14,15,614 (Fourteen Lakhs Fifteen Thousand Six Hundred and Fourteen only) Shares acquired through Secondary Acquisition under ESOP 2016.

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- 3.4 The shareholders by way of special resolution dated December 5, 2016 have approved the proposal for sanction of an interest free loan of Rs.1,48,50,000 (Rupees one crore forty eight lacs and fifty thousand only) by the Company to the Trust. This proposed amount of loan is within the statutory limit of 5% (five percent) of the aggregate of paid-up share capital and free reserves as per latest audited accounts of the Company as prescribed under Companies Act.
- 3.5 If the number of Options that may be offered to any specific Employee, during any 1 (one) year, exceeds 1% (one percent) or more of the issued capital (excluding warrants & conversion) of the Company at the time of Grant of Options, then the Company shall obtain prior approval from shareholders of the Company in accordance with Applicable Laws.
- 3.6 The Company shall take prior approval from the shareholders of the Company by way of a special resolution to Grant Options to the Employees of the Subsidiary(ies), or Associate Company(ies), or a company belonging to the same Group as the Company.
- 3.7 If an Option expires, lapses or becomes un-exercisable due to any other reason, it shall be brought back to the Options pool as mentioned in Sub-clause 3.1 and shall become available for future Grants, subject to compliance with all Applicable Laws.
- 3.8 The Trust may, subject to the Applicable Laws, acquire Shares through Secondary Acquisition for the purposes of implementing the Plan subject to the limits and conditions specified and the other provisions contained in the SEBI (SBEB & SE) Regulations.
- 3.9 The Trust shall utilize the Shares of the Company acquired/ for the purpose of transferring them to the Grantees, upon Exercise/ Vesting, in case of Units subject to Applicable Laws. No fresh shares shall be issued by the Company either to the Trust or to the Grantee under the Plan.
- 3.10 Where Shares transferred by the Trust, consequent upon exercise of Options under the ESOP 2016, the maximum number of Shares that can be transferred under ESOP 2016 as referred to in Clause 3.1 of the Plan above shall stand reduced to the extent of such Shares transferred.
- 3.11 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 ESOP 2016, the maximum number of Shares being Granted under ESOP 2016 as specified above shall

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stand modified accordingly, so as to ensure that the cumulative face value (number of Shares x face value per Share) prior to such Share split or consolidation remains unchanged after such Share split or consolidation. Thus, for example, if the prevailing face value of each Share is Rs. 10 per Share and the revised face value after the Share split is Rs. 5 per Share, the total number of Shares available under ESOP 2016 would be (Shares reserved at sub-clause 3.1 x 2) Shares of Rs. 5 each. Similarly, in case of bonus issue, rights issue, etc. the available number of Shares under ESOP 2016 shall be revised.

#### **4. Administration**

- 4.1 The Plan shall be implemented through the Trust, and the Committee shall in compliance with the SEBI (SBEB & SE) Regulations, delegate the administration of the Plan to the Trust to the extent set out in the Plan. Neither the Company nor the Trust/Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Options granted thereunder.
- 4.2 The Committee shall, in accordance with this ESOP 2016 and Applicable Laws, determine the following:
- a) The quantum of Options to be Granted to an Employee under ESOP 2016, subject to the ceiling as specified in Sub-clauses 3.1;
  - b) The Eligibility Criteria subject to which an Employee would become entitled to be Granted Options under the ESOP 2016;
  - c) The conditions under which Options may Vest (time, performance and/or milestones) and the conditions under which the Vested Options may lapse including in case of termination of employment for Misconduct;
  - d) The Exercise Period within which the Option Grantee should Exercise the Options and that Options would lapse on failure to Exercise the Option within the Exercise Period;
  - e) The specified time period within which the Option Grantee shall Exercise the Vested Option in the event of termination of employment or resignation of an Option Grantee;
  - f) The right of an Employee to Exercise all the Options Vested in him at one time or at various points of time within the Exercise Period;

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- g) The procedure for making a fair and reasonable adjustment to the number of Options and/or to the Exercise Price in case of a corporate action such as rights issues, bonus issues, merger, sale of division and others. In this regard the following shall be taken into consideration by the Committee:
- (i) the number and / or the Exercise Price of the Options shall be adjusted in a manner such that the total value of Shares remains the same before and after such corporate action;
  - (ii) the Vesting Period the Options shall be left unaltered as far as possible to protect the rights of the Option Grantee
- h) The procedure and terms for Grant, Vesting and Exercise of Option in case of Employees who are on long leave;
- i) The procedure for cashless Exercise of Options, if required;
- j) The procedure for funding the Exercise of Options;
- k) The procedure for Formation of Trust and implementation of ESOP 2016 through such Trust;
- l) The procedure for buy-back of specified securities issued under SEBI (SBEB & SE) Regulations, if to be undertaken at any time by the Company, and the applicable terms and conditions, including:
- (i) permissible sources of financing for buy-back;
  - (ii) any minimum financial thresholds to be maintained by the company as per its last financial statements; and
  - (iii) limits upon quantum of specified securities that the Company may buy-back in a financial year.

Explanation – ‘specified securities’ mean as defined under the Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

- m) Approve forms, writings and/or agreements for use in pursuance of ESOP 2016.

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- n) Frame any other byelaws, rules or procedures as it may deem fit for administering ESOP 2016.
- o) Decide all other matters that must be determined in connection with an Option under the ESOP 2016.

4.3 In connection with Listing, the Committee shall also frame suitable policies and systems to ensure that there is no violation of (a) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (as amended from time to time) (b) 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) and (c) any other applicable regulations as may be notified by the Securities and Exchange Board of India or any other authority from time to time, by the Company and any Employee, as applicable.

### **5. Eligibility and Applicability**

5.1 Only Employees are eligible for being Granted Options under ESOP 2016. The specific Employees to whom the Options would be Granted and their Eligibility Criteria shall be determined by the Committee. The Committee shall intimate the Trustees in writing as to the number of units that have been Granted to each eligible Employee specifying therein the Grant date, number of units Granted, Vesting Date(s), Exercise Period and the Exercise Price. The Committee shall intimate the Trustees in writing as to the number of units that have been Granted to each eligible Employee specifying therein the Grant date, number of Units Granted, Vesting Date(s), Exercise Period and the Exercise Price.

5.2 The Plan shall be applicable to the Company, its Subsidiary in or outside India, and its Holding Company if any, and any successor Company thereof and may be granted to the Employees of the Company, or of its Subsidiary Company(ies), or its Holding Company, as determined by the Committee at its sole discretion.

### **6. Vesting Schedule and Vesting Conditions**

6.1 Options Granted under ESOP 2016 shall Vest within not earlier than 1(one) year and not more than 4 (four) years from the date of such Grant, as decided by the Committee and set out in the Grant Letter.

Provided further that post Listing, in the event of death or Permanent Incapacity / disability, the minimum Vesting Period of 1 (one) year shall not be applicable and in such instances, the

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Options shall Vest on the date of death or Permanent Incapacity / disability, as the case may be.

6.2 Options shall vest subject to:

- (i) continued employment with the Company, including Subsidiary Company(ies), Holding Company, Associate Company or Group Company as the case may be, as on relevant date of Vesting; and
- (ii) achievement of performance criteria specified, if any, by the Committee.

Provided that if the Option Grantee is not able to achieve the specified performance criteria as of any date of Vesting due to the reason(s) which in the opinion of the Committee is/are beyond Option Grantee's control namely change in Government regulations or otherwise, the Committee may at its discretion allow Vesting of Options with respect to that date of Vesting.

6.3 The specific Vesting schedule and Vesting Conditions subject to which Vesting would take place would be outlined in the document given to the Option Grantee at the time of Grant.

6.4 **Vesting of Options in case of Employees on long leave**

The period of leave shall not be considered in determining the Vesting Period in the event the Option Grantee is on a sabbatical. In all other events including approved earned leave and sick leave, the period of leave shall be included to calculate the Vesting Period unless otherwise determined by the Committee.

6.5 **Power to accelerate vesting in certain cases**

- (i) The Committee shall have the power to accelerate Vesting of Unvested Options in connection with Liquidity Event within the meaning of this Plan.
- (ii) All or a part of Options remaining unvested as on date of meeting of the Committee considering the proposal for such acceleration, may at the discretion of the Committee be deemed to Vest with effect from that date or from such other date as the Committee may determine.

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Provided that acceleration of vesting in the manner aforesaid shall be approved keeping in view the life of such Unvested Options from the date of grant thereof in due compliance with statutory minimum Vesting Period of 1 (one) year as per Applicable Laws. However, post Listing, in the event of death or Permanent Incapacity / disability, the minimum Vesting Period of 1 (one) year shall not be applicable and in such instances, the Options shall Vest on the date of death or Permanent Incapacity / disability, as the case may be.

- (iii) In case after approval of acceleration of Vesting of Unvested Options by the Committee, there occurs no Liquidity Event, on consideration of which Committee had approved such acceleration, such non-occurrence shall lead to automatic cancellation of such acceleration as if such proposal was never considered nor approved by the Committee as a result of which such Unvested Options shall be subject to Vesting as originally contemplated.
- (iv) Prior to the Listing, in the event an Option Grantee is transferred or deputed to the Holding Company or Subsidiary Company prior to Vesting or Exercise, the Vesting and Exercise as per the terms of Grant shall continue in case of such transferred or deputed Option Grantee even after the transfer or deputation. Post the Listing, in the event an Option Grantee is transferred or deputed to the Holding Company, an Associate Company or Subsidiary Company or any company in the Group prior to Vesting or Exercise, the Vesting and Exercise as per the terms of Grant shall continue in case of such transferred or deputed Option Grantee even after the transfer or deputation.

## **7. Exercise**

### **7.1 Exercise Price**

- (a) The Exercise Price shall be equal to Fair Market Value as on date of grant of Options.
- (b) Payment of the Exercise Price shall be made by a crossed cheque or a demand draft drawn in favour of the Company or in such other manner as the Committee may decide from time to time.
- (c) On Exercise of Vested Options by the Grantee, the Trust shall transfer the Shares into the demat account of the Grantee.

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- (d) Subject to Applicable Laws, the Company may fund or permit the empaneled stock brokers to make suitable arrangements to fund the Option Grantee for payment of Exercise Price, the amount necessary to meet his tax obligations and other related expenses pursuant to Exercise of Options granted under the Plan and such amount shall be adjusted against the sale proceeds of some or all the Shares of such Option Grantee.

### 7.2 Exercise Period:

- (a) Exercise while in employment:

Subject to clause 7.2(b) of the Plan, the Vested Options can be Exercised by the Employees only at the time of Liquidity Event or within such period as determined by the Committee.

- (b) Exercise in case of cessation of employment

The Vested Options can be exercised by the Option Grantee as under:

S. No.	Events of Separation	Vested Options	Unvested Options
1	Resignation / termination (other than due to Misconduct or due to breach of Company Policies/Terms of Employment)	All the Vested Options as on date of resignation/ termination can be Exercised by the Option Grantee within his/her last working day.	All the Unvested Options as on date of resignation/ termination shall stand cancelled with effect from date of such resignation.
2	Termination due to Misconduct or due to breach of Company Policies/Terms of Employment	All the Vested Options at the time of such termination shall stand cancelled with effect from the date of such termination.	All the Unvested Options at the time of such termination shall stand cancelled with effect from the date of such termination.

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3	Retirement	<p>All the Vested Options as on date of retirement can be exercised by the Option Grantee within his/her last working day.</p>	<p>All Unvested Options on the date of retirement shall stand cancelled with effect from date of retirement.</p> <p>The Unvested Options shall continue to Vest in accordance with the Company's policies and Applicable Laws.</p>
4	Death	<p>All the Vested Options as on date of death of the Option Grantee can be Exercised by his/her nominee or legal heir within 6 months from the date of death.</p>	<p>All the Unvested Options as on the date of death shall be deemed to have been Vested and may be Exercised by the Option Grantee's nominee or legal heir immediately after, but in no event later than 6 months from the date of Death.</p> <p>Further, the Company shall formulate appropriate policy in accordance with Applicable Laws, as regards the Options Granted, in case of death of the Option Grantee.</p>
5	Permanent Incapacity	<p>All the Vested Options as on date of termination due to Permanent Incapacity can be exercised by the Option Grantee within 6 months from the date of such</p>	<p>All the Unvested Options as on the date of such Permanent Incapacity shall be deemed to have been Vested and can be exercised by the Option Grantee</p>

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		termination.	immediately after, but in no event later than 6 months from the date of such incapacity.  Further, the Company shall formulate appropriate policy in accordance with Applicable Laws, as regards the Options Granted, in case of death of the Option Grantee.
6	Abandonment*	All the Vested Options shall stand cancelled/lapsed/expired with effect from such date as determined by the Committee.	All Unvested Options shall stand cancelled with effect from such date as determined by the Committee.
7	Termination due to reasons apart from those mentioned above	All the Vested Options as on date of such termination shall stand cancelled unless otherwise decided by the Committee and such decision shall be final.	All Unvested Options on the date of such termination shall stand cancelled unless otherwise required by Applicable Laws.

\* The Committee at its sole discretion shall decide the date of cancellation of Options and such decision shall be binding on all concerned.

- 7.3 Provided that in case the Company proposes Listing, all the exercisable Vested Options in case of separation from employment for any of the reasons mentioned above, shall be exercised within such period (“**Notified Period**”) as may be notified by the Committee prior to such Listing. For effecting this, the Company shall issue notice to the Option Grantee, legal heir or nominee as the case may be, prior to filing of prospectus with appropriate authorities, at their registered address available in the records of the Company for the

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exercise of the Vested Options. On issue of such notice, the Notified Period shall be deemed to be substituted for the corresponding Exercise Periods mentioned in the aforesaid Table. In case, the Option Grantee, legal heir or nominee as the case may be, fails to exercise the Vested Options within the Notified Period, such Vested Options shall lapse on expiry of such Notified Period and the Option Grantee, legal heir or nominee as the case may be, shall have no recourse on such cancelled Options. Procedure of Exercise

- a) Any Option granted hereunder will be exercisable according to the terms of the ESOP 2016 and at such times and under such other conditions as determined by the Committee and set forth in the Grant letter. An Option may not be exercised for a fraction of a Share.
- b) An Option shall be deemed to be exercised when the Company receives: (i) a written notice of Exercise duly complete in all respects in prescribed format whether in physical or in electronic form from the person entitled to exercise the Option, and (ii) full payment comprising of Exercise Price and applicable tax thereon.
- c) All Shares issued and allotted consequent to Exercise of Options shall rank pari passu with the then existing equity shares of the Company.

### 7.4 Lapse of Options

The Options not exercised within the Exercise Period prescribed above shall lapse and the Option Grantee shall have no right over such lapsed or cancelled Options and the Shares covered by such Option shall revert to the ESOP 2016.

### 7.5 Right to prescribe for cashless Exercise of Options

Notwithstanding anything contained in the foregoing provisions relating to exercise of Options, subject to Applicable Laws, the Committee is entitled to specify such procedures and mechanisms for the purpose of implementing the cashless Exercise of Options as may be necessary and the same shall be binding on all the Option Grantees. The procedure may inter alia require the Option Grantees to authorize any person including a Trust nominated by the Company to deal with the Options on the Option Grantees' behalf till the realization of sales proceeds.

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### **8. Cash Settlement of Vested Options**

- 8.1 Prior to Listing, the Committee shall have the right (without any obligation) to prescribe for cash settlement of Vested Options by the Company or by the Trust at the instance of the Committee.
- 8.2 The Committee's right to deal with the Vested Options which includes the settlement thereof by way of cash payment for a consideration which shall be determined by the Committee with reference to the excess of 'Fair Market Value of Shares prevailing at that time over the 'Exercise Price of the concerned Vested Options'.
- 8.3 The number of Vested Options that are entitled for cash settlement during any given financial year shall be determined at the discretion of the Committee.
- 8.4 Once the Vested Options are settled for a consideration, those shall be cancelled and the Option Grantee's rights and liabilities therein shall immediately extinguish with effect from date of receipt of such consideration.
- 8.5 Notwithstanding the above, post Listing, the above provisions shall not be applicable to the Company.

### **9 Initial Public Offer (IPO)**

Post Listing, Option Grantee can sell their Shares in the open market any time in accordance with Applicable Laws and Company Policies (specifically the insider trading policy), subject to any lock in period as per applicable laws. Provided that the Shares allotted on such Exercise can be traded only in compliance with the terms of code of conduct for prevention of insider trading of the Company framed under Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015.

### **10 Lock-in**

The Shares arising out of Exercise of Vested Options shall not be subject to any lock-in restriction except such restrictions as prescribed under the Applicable Laws.

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### **11. Restriction on transfer of Options**

- 11.1 The Employee Stock Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
- 11.2 Employee Stock Options shall not be transferable to any person except in the event of death of the Option Grantee, in which case clause 7.2(b) would apply.
- 11.3 No person other than the Employee to whom the Employee Stock Option is granted shall be entitled to Exercise the Employee Stock Option except in the event of the death of the Option Grantee holder, in which case clause 7.2(b) would apply.

### **12 Other Terms and Conditions**

- 12.1** In case of Listing, the Committee is authorized to do such acts, deeds and things including but not limited to amendment of this Plan to make the Plan compliant of any Applicable Laws prevailing at that time.
- 12.2 The Option Grantee shall not have a right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of Options granted, till Shares underlying such Options are allotted on Exercise of such Option.
- 12.3 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Company (for example, bonus Shares, rights Shares, dividend, voting, etc.) in respect of any Shares covered by the Grant unless the Option Grantee Exercises the Option and becomes a registered holder of the Shares of the Company.
- 12.4 If the Company issues bonus or rights Shares, the Option Grantee will not be eligible for the bonus or rights Shares in the capacity of an Option Grantee. However, an adjustment to the number of Options or the Exercise Price or both would be made in accordance with Clause 4.2(g) of ESOP 2016.

### **13 Deduction/Recovery of Tax**

- 13.1 The Company or Trust as the case may be shall have the right to deduct from the Employee's salary, any of the Employee's or employer's tax obligations arising in connection with the

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Option or the Shares acquired upon the Exercise thereof. The Company or Trust shall have no obligation to deliver Shares to the Option Grantee until such tax obligations have been satisfied by the Option Grantee.

### **14 Accounting and Disclosures**

14.1 The Company shall follow the laws/regulations applicable to accounting related to Options, including but not limited to the IND AS/Guidance Note on Accounting for Employee Share-based Payments (Guidance Note) and/ or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India (ICAI) from time to time, including any 'Guidance Note on Accounting for employee share-based payments' issued in that regard from time to time and comply with the disclosure requirements prescribed therein, in compliance with relevant provisions of SEBI (SBEB & SE) Regulations.

14.2 Where the existing Guidance Note or Accounting Standard do not prescribe accounting treatment or disclosure requirements for any of the plans covered under these regulations then the Company shall comply with the relevant Accounting Standard as may be prescribed by the ICAI or any other statutory authority from time to time.

14.3 Upon Listing, the Company will also make the necessary disclosures under the SEBI (SBEB & SE) Regulations at the time of Grant, including as provided in Part G of Schedule I of the SEBI (SBEB & SE) Regulations.

### **15 Authority to vary terms**

15.1 Subject to the prior approval of the shareholders of the Company and Applicable Laws, the Committee may, if it deems necessary, vary the terms of the Plan, including pursuant to meeting any regulatory requirements, for the purpose of efficient implementation and administration of the Plan.

Provided that no such variation shall have detrimental effect to the interest of the existing Option Grantees.

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Provided further that, post the Listing, the Board or the Committee may revise any of the terms and conditions of this Plan to meet any regulatory requirement without seeking shareholders' approval.

### **16 Miscellaneous**

#### **16.1 Government Regulations**

This ESOP 2016 shall be subject to all Applicable Laws, and approvals from government authorities. The Grant and the transfer of Shares by the Trust under this ESOP 2016 shall also be subject to the Company requiring Employees to comply with all Applicable Laws.

#### **16.2 Inability to obtain authority**

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

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

16.4 The rights Granted to an Option Grantee upon the grant of an Employee Stock 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 company for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

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

### **17 Notices**

17.1 All notices of communication required to be given by the Company to an Option Grantee by virtue of this ESOP 2016 shall be in writing. The communications shall be made by the Company in any one or more of the following ways:

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- i. Sending communication(s) to the address of the Option Grantee available in the records of the Company; and/ or
- ii. Delivering the communication(s) to the Option Grantee in person with acknowledgement of receipt thereof; and/ or
- iii. Emailing the communication(s) to the Option Grantee at the official email address provided if any by the Company during the continuance of employment or at the email address provided by the Option Grantee after cessation of employment.

17.2 All notices of communication to be given by an Option Grantee to the Company in respect of ESOP 2016 shall be sent to the address mentioned below:

**Designation** : Head – Human Resource/Any other designated person

**Address** : Muthoot Microfin Limited  
5th Floor, Muthoot Towers,  
M.G Road, Kochi – 682035

### **18 Jurisdiction and Dispute Resolution**

18.1 All disputes arising out of or in connection with this Plan or the Grant, Vesting or Exercise shall be referred for arbitration to a sole arbitrator (not being an employee) to be appointed by the Committee with the consent of the Option Grantee. The arbitration proceedings shall be in accordance with the provisions of the Arbitration and Conciliation Act, 1996, in force at the relevant time. The place of Arbitration shall be Kochi, India and the proceedings shall be conducted in English. The costs of the arbitration shall be borne by the parties to the dispute in such manner as the arbitrator shall direct in their arbitral award.

18.2 Subject to clause 21.1 of the Plan, the Courts in Kochi, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this Plan.

18.3 Nothing in this clause will however limit the right of the Company to bring proceedings against any Employee in connection with this ESOP 2016:

- (i) in any other court of competent jurisdiction; or
- (ii) con-currently in more than one jurisdiction.

### **19 Governing Laws**

19.1 The terms and conditions of the Plan shall be governed by and construed in accordance with the laws of India including the Income Tax Laws and Foreign Exchange Laws mentioned below.

**19.2 Income Tax Laws**

The provisions of the Income Tax Act, 1961 and Rules made thereunder as amended and enacted from time to time shall be applicable in respect of taxability of Employees and the Company arising out of any transaction in the Options.

**19.3 Foreign Exchange Laws**

In case any Employee Stock Options are granted to any Employee being resident outside India belonging to the Company or to any Subsidiary Company of the Company set-up outside India, the provisions of the Foreign Exchange Management Act, 1999 and Rules or Regulations made thereunder as amended and enacted from time to time shall be applicable and the Company has to comply with such requirements as prescribed in connection with grant, vest, exercise of Employee Stock Options and transfer of Shares by the Trust thereof.

**20 Severability**

In the event any one or more of the provisions contained in this ESOP 2016 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 ESOP 2016, but ESOP 2016 shall be construed as if such invalid, illegal, or unenforceable provision had never been set forth herein, and the ESOP 2016 shall be carried out as nearly as possible according to its original intent and terms.

**21 Confidentiality**

21.1 An Option Grantee must keep the details of the ESOP 2016 and all other documents in connection thereto strictly confidential and must not disclose the details other than the details that may be required to disclose with tax advisors, banker or any statutory authority as applicable, with any of his peer, colleagues, co-employees or with any employee and/ or associate of the Company or that of its affiliates. In case Option Grantee is found in breach of this confidentiality Clause, the Company has undisputed right to terminate any agreement and all unexercised Options shall stand cancelled immediately. The decision and judgment of the Company regarding breach of this confidentiality Clause shall be final, binding and cannot be questioned by Option Grantee. In case of non-adherence to the provisions of this clause, the Committee shall have the authority to deal with such cases as it may deem fit.

21.2 On acceptance of the Grant of Option offered by the Company, it shall be deemed that as if the Option Grantee has authorized the Company to disclose information relating to the Option Grantee during the process of implementation of the Plan or while availing any

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consulting or advisory services thereof or any other incidental services to its officers, professional advisors, agents and consultants on a need to know basis.

### **22 Special Provisions Prior to Listing**

- 22.1 Company shall not make any fresh Grant under the Plan prior to the Listing of its Shares unless the Plan is ratified by its shareholders subsequent to the IPO.
- 22.2 Terms of such Grant under the Plan cannot be varied without the prior approval of the shareholders is taken for such a change, except for any adjustments for corporate actions made as under the SEBI (SBEB & SE) Regulations.
- 22.3 For Listing of Shares issued pursuant to the Plan, the Company shall obtain the in-principle approval of the stock exchanges where it proposes to list the said Shares.