

Glenmark Pharmaceuticals Limited Employee Stock Option Scheme, 2016

1. Introduction:

The Board Members of the Company at their Meeting held on 12th May, 2016, have approved the Glenmark Pharmaceuticals Limited - Employee Stock Option Scheme 2016 (ESOS) and Members have adopted the ESOS at Annual General Meeting held on 12th August, 2016. Further, Board Members of the Company at their Meeting held on 11th May, 2017 have revised the ESOS and the said revised ESOS has been approved at Annual General Meeting held on 29th September, 2017. This document sets out the salient features of the ESOS, the duties and responsibilities of the grantees, the benefits to the grantees and the procedures to be followed. This document is written to serve as a guide and to clarify the various aspects of ESOS. Please read it carefully and ensure that the procedures are followed in full. In case you need any clarification please feel free to get in touch with Mr. Harish Kuber, Company Secretary & Compliance Officer.

2. Definitions:

1. "Associate Company" shall have the same meaning as defined under section 2(6) of the Companies Act, 2013.

2. Employee means

a) a permanent employee of the company working in India or out of India; or

b) a director of the company, whether a whole time director or not; but excluding an independent director or

c) an employee as defined in sub-clauses (a) or (b) of a subsidiary, in India or out of India, or of a holding company of the company or of an associate company but does not include—
(a) an employee who is a promoter or a person belonging to the promoter group; or
(b) a director who either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company

2A. "option" means the option given to an employee which gives him a right to purchase or subscribe at a future date, the shares offered by the company, directly or indirectly, at a pre-determined price.

(3) "employee stock option scheme (ESOS)" means a scheme under which a company grants employee stock option directly or through a trust.

(4)"exercise" means making of an application by the employee to the company for issue of shares against option vested in him in pursuance of the ESOS.

(5)"exercise period" means the time period after vesting within which an employee should exercise his/her right to apply for shares against the option vested in him/her in pursuance of the ESOS.

(6)"exercise price" means the price, if any, payable by the employee for exercising the option granted to him/her in pursuance of ESOS.

(6a)"fair value" of an option means the fair value calculated in accordance with Schedule III as annexed to the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999.

(7)"grant" means the process of issue of options to employees under ESOS.

(8)"independent director" shall have the same meaning as assigned to it under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 from time to time.

(8a)"intrinsic value" means the excess of the market price of the share at the date of grant of the option under ESOS over the exercise price of the option (including up-front payment, if any).

(9)"market price" means the latest available closing price on a recognised stock exchange on which the shares of the company are listed on the date immediately prior to the relevant date.

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

(10)"option grantee" means an employee having right but not an obligation to exercise in pursuance of the ESOS.

(11)"promoter" shall have the same meaning as assigned to it under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

(12)"promoter group" shall have the same meaning as assigned to it under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009.

(13) "Relative" shall have the same meaning as defined under section 2(77) of the Companies act, 2013.

(14) "Relevant Date" means –

- (i). in the case of grant, the date of the meeting of the Nomination & Remuneration Committee on which the grant is made; or
- (ii). in the case of exercise, the date on which the notice of exercise is given to the company by the employee;

(15) "share" means equity shares and securities convertible into equity shares and shall

include American Depository Receipts (ADRs), Global Depository Receipts (GDRs) or other depository receipts representing underlying equity shares or securities convertible into equity shares.

(16) "vesting" means the process by which the employee becomes entitled to receive the benefit of the options granted to him/her in pursuance of ESOS.

(17) "vesting period" means the period during which the vesting of the option granted to the employee in pursuance of ESOS takes place.

2.2 All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Securities and Exchange Board of India Act, 1992 or the Securities Contracts (Regulation) Act, 1956 or the Companies Act, 2013, SEBI (Disclosure and Investor Protection) Guidelines, SEBI (Share Based Employee Benefits) Regulations, 2014, or any statutory modification or re-enactment thereof, as the case may be.

3. Objectives of the ESOS:

The purpose of this ESOS is

- a. to encourage ownership of the Company's equity by employees of the Company;
- b. to provide incentive to employees for putting maximum effort for the successful operations of the Company; and
- c. to attract and retain the best available talent by allowing the employees to contribute and share in the growth of the Company.

4. Administration & Implementation of the ESOP:

1. The company has constituted a Nomination & Remuneration Committee for administration and superintendence of the ESOS.
2. The Nomination & Remuneration Committee is a Committee of the Board of Directors of which majority are independent Directors.
3. The Nomination & Remuneration Committee has framed suitable policies and systems to ensure that there is no violation of :
 - a. the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
 - b. the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003, by the

Company or any employee.

4. Pursuant to Regulation 12 (6) of the SEBI (Share Based Employee Benefits) Regulations, 2014 (“The Regulations”), Company has appointed M/s Fortress Capital Management Services Pvt. Ltd., a SEBI Registered Merchant Banker, for implementation of the Employee Stock Option Scheme (ESOS).

5. Eligibility to participate in ESOS:

Every employee shall be eligible to participate in ESOS of the company, except the following:

1. An employee who is a promoter or belongs to the promoter group shall not be eligible to participate in the ESOS.
2. A director who either by himself or through his relative or through any body corporate, directly or indirectly, holds more than 10% of the outstanding equity shares of the company.

Explanation- Where such employee is a director nominated by an institution as its representative on the board of directors of the company –

(i) The contract or agreement entered into between the institution nominating its employee as the director of a company, and the director so appointed shall, *inter alia*, specify the following:

- a. whether the grants by the company under its scheme(s) can be accepted by the said employee in his/her capacity as director of the company;
- b. that grant if made 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 company.

(ii) the institution nominating its employee as a director of a company shall file a copy of the contract or agreement with the said company, 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 company attended by him after his nomination.

6. Total Number of Options to be Granted & validity period of the Scheme:

1. The maximum number of options that may, in the aggregate, be granted, will be upto 1% of the paid up equity capital of the Company as at 31 March 2017. The paid-up capital of the Company as on 31 March 2017 is 282,168,156 shares of Re. 1/- each. The maximum number of options that can be granted under the scheme is 2,821,682 options which upon

exercise will result in the issue of 2,821,682 shares of Re. 1/- each.

2. The maximum number of options that can be granted to any individual employee/Director will not exceed an entitlement of 125,000 shares of Re.1/- each.
3. The scheme, as amended from time to time shall be in force for a period of 15 years from the date of the inception of the scheme i.e. 12th August, 2016.

7. Appraisal Process and Grant of Options :

1. The options shall be offered for allotment to the employees identified by the Human Resources Department of the Company, based on employee's performance appraisal, period of service, status of employee, the present and potential contribution to the growth of the Company and such other factors as it may deem necessary. The list of identified employees shall be placed before Nomination & Remuneration Committee for approvals. The Nomination & Remuneration Committee shall scrutinize the list & evaluate the grants at its sole discretion. The Options shall be issued by Nomination & Remuneration Committee/ Board of Directors as per the list approved by Nomination & Remuneration Committee.
2. On allotment, the Options shall be granted and a letter of grant shall be handed over to the employee and shall remain in the custody of the employee. No amount is payable by the employee at the time of grant of the options. Whenever the employee wishes to opt for conversion of the vested options the employee shall be required to lodge the said options with the company alongwith the Conversion Application and the amount towards the exercise price as appended hereto as **Annexure I.**

8. Exercise Price:

1. The exercise price shall be **any one of the following as may be determined by Nomination & Remuneration Committee :**
 - a. Market price of the equity shares (market price shall be as defined in the SEBI (Share Based Employee Benefits) Regulations , 2014, from time to time) or
 - b. At a price as may be determined by the Nomination & Remuneration Committee from time to time or
 - c. At par value of the equity share i.e. Re.1.

2. The exercise price shall be subject to a fair and reasonable adjustment at the discretion of the Nomination & Remuneration Committee, in the event of the Company distributing Bonus Shares/Rights Shares, Stock Split so that the holder of any Warrant, who has not opted for conversion before the record date for the issue of the said Bonus Shares/Rights Shares shall be entitled to receive the number of Shares of the Company which he would have held or have been entitled to receive on such Warrant being exercised immediately prior to such record date.
3. The Board/Nomination & Remuneration Committee is empowered to implement cashless stock options, as permissible by law and frame policies related thereto.
4. A company may reprice the options which are not exercised if stock options were rendered unattractive due to fall in the price of the shares in the market.

Provided that the company ensures that such repricing shall not be detrimental to the interest of employees and approval of shareholders in General Meeting has been obtained for such repricing.

9. Vesting & Lock-in-Period:

1. The vesting of options will commence after a minimum period of one year from the date of the grant, and may extend upto a maximum period of six years from the date of the grant, with such lock in period as may be decided by the Board/Nomination & Remuneration Committee. Further, the Nomination & Remuneration Committee may on merits of the case relax/ extend the vesting period.
2. The employee shall not have the right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to him, till shares are issued on exercise of option. Provided that the allottees shall be entitled to receive all documents that may be sent from time to time to the members of the company, including the annual accounts of the company, notices of meetings alongwith the explanatory statements.

10. Period & Process of Exercise of Options:

1. The exercise period will commence from the date of vesting of stock options and may extend till the expiry of the scheme as stated in sub clause(3) of clause 6 of the Scheme.

2. The employee has the right to exercise all the options vested in him at one time or at various points of time within the exercise period as he/she deems most appropriate subject to the maximum conversion period available to him under this scheme;
3. The option can be exercised by applying to the Company in the Conversion Application as appended hereto as **Annexure I**.
4. In case the employee leaves the services of the Company due to termination, resignation, the vested options as on the last date of employment can be put for conversion at any time within 90 days from the date of cessation of employment or the validity period of the Scheme, whichever is earlier. In case of Termination for moral grounds, all the options whether vested or not will stand forfeited.
5. In case the option for conversion of the warrants is not exercised by the employee within the time limits as prescribed under Clause 10 (2), the options would lapse and no rights shall be deemed to accrue or arise after that date. The Nomination & Remuneration Committee on a representation made to it in this behalf may on being satisfied that there were sufficient reasons that prevented the employee from exercising his options may relax the above time limit and extend the conversion period to such period as it may deem it at its sole discretion.
6. In the unlikely event of death of the employee while in employment, all the options granted till such date whether vested in him or not, shall vest in the legal heirs or nominees of the deceased employee as the case may be and same can be exercised within 180 days from the date of death or the validity period of the Scheme, whichever is earlier.
7. In unlikely event of permanent incapacitation of the employee while in employment, all the options granted till such date, whether vested or not, shall vest in him on that date and can be exercised within 180 days from the date of such mishap or the validity period of the Scheme, whichever is earlier.
8. The grant, vesting and exercise of options in case of employee (s) who may go on long leave will be decided by the Nomination & Remuneration Committee on the merits of the case as and when it arises.

11. Consequences of Failure to Exercise Option:

Consequences of the failure to exercise the options are as described in clause 10(5).

12. Forfeiture of Vested Options:

In case of termination of employment for misconduct, all options vested but not exercised, or vested options for which Conversion Application has been made but shares are not allotted as on date of termination shall stand cancelled & forfeited.

Non-transferability of Option:

1. Option granted to an employee shall not be transferable to any person.
2. No person other than the employee to whom the options are granted shall be entitled to exercise the option, except under the circumstances and by the person (s), as specified in clause No.10 (5 & 6) of this scheme.
3. Under the cashless system of exercise, the company may itself fund or permit the empanelled stock brokers or other agencies to fund the payment of exercise price which shall be adjusted against the sale proceeds of some or all the shares, subject to the provisions of the Companies Act.
4. The option granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
5. In the event of the death of the employee while in employment, all the options granted to him till such date shall vest in the legal heirs or nominees of the deceased employee.
6. In case the employee suffers a permanent incapacity while in employment, all the options granted to him as on the date of permanent incapacitation, shall vest in him on that day.
7. In the event of resignation or termination of the employee, all options not vested as on that day shall expire. However, the employee shall, subject to the provision of clause 12 entitled to retain all the options vested prior to his resignation or termination.

13. Variation of Terms of ESOS:

1. The company shall not vary the terms of the ESOS in any manner which may be detrimental to the interests of the employees.
2. The company may by special resolution in a general meeting vary the terms of ESOS offered pursuant to an earlier resolution of a general body but not yet exercised by the employee provided such variation is not prejudicial to the interests of the option

holders. The company may re-price the options pursuant to Clause 8 (4) of the Scheme.

14. Disclosures, Accounting Policies & Government Regulations:

This ESOS shall be subject to all applicable laws, rules, regulations framed by SEBI/Income Tax authorities and such approvals by any government agencies. The grant of Options/Shares under this ESOS shall entitle the Company to require the employee to comply with requirements of law as may be necessary in the opinion of the Company.

The company shall follow the requirements of the 'Guidance Note on Accounting for employee share-based Payments' (Guidance Note) or Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India (ICAI) from time to time, including the disclosure requirements prescribed therein or the requirement of the accounting standards, as notified under the Companies (Indian Accounting Standards) Rules, 2015 as specified in Section 133 of the Companies Act, 2013 whichever is applicable.

15. General Risks:

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

16. Listing of Shares:

The Shares issued on the conversion of the Options shall be listed on such Stock Exchanges, where the equity shares of the Company are listed, subject to the terms and conditions of the Listing Agreement.

17. Confidentiality:

The employee holding Options under the ESOS shall not divulge the details of the scheme and his holding to any person except with the prior written permission of the Company Secretary and the Nomination & Remuneration Committee.

18. Tax Liability:

Any Income tax liability arising on the conversion of options into shares; their sale etc. shall be borne by the employee.

19. Contract of Employment:

1. This scheme shall not form part of any contract of employment between the Company and the employee. The rights and obligations of any individual under the terms of his office or employment with the Company shall not be affected by his participation in this scheme.
2. Nothing in this scheme shall be construed as affording an employee any additional rights as to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.
3. This scheme shall not confer on any person any legal or equitable rights against the Company, either directly or indirectly, or give rise to any cause of action, in law or equity, against the Company.
4. This scheme is purely at the discretion of the Company.

20. Disclosure Documents:

The disclosures as required under Regulation 16(2) of the ESOP Regulations will be annexed to the option grant letter alongwith a copy of this scheme.

21. Governing Law:

The scheme is governed by the SEBI (Share Based Employee Benefits) Regulations, 2014, or any statutory modification or re-enactment thereof.