

NOTE ON ESOP OR STOCK OPTIONS UNDER COMPANIES ACT, 2013

- Special Resolution is required.
- Liberty to the company to fix Exercise Price provided it is in compliance with applicable accounting policies, if any.
- Liberty to the Company to determine lock-in period of shares issued upon exercise of vested options. **In case of Sweat Equity, shares are compulsorily locked-in for a period of 3 years.**
- Minimum time gap between grant of option and vesting of option is **one year**.
- Non-eligible persons: Promoters and Promoter Group, Independent Directors and Director holding 10% or more of equity capital, directly or indirectly.
- Eligible persons: Directors or permanent employees.
- Employees of subsidiary, holding and associate company are also eligible provided separate Special Resolution is passed for this.
- Explanatory Statement of EGM Notice should possess required information.
- On resignation or termination of employment, options which are not vested shall lapse whereas vested options to be exercised within such time and on such T&C as may be specified in ESOP Scheme.
- Listed companies to follow SEBI guidelines.
- Options are non-transferable.
- Options to be exercised by employees only except in the event of his death, options will be vested in his/her legal heir(s).
- In the event of permanent disability, all options shall vest immediately.
- Company may forfeit advance paid at the time of grant of options under specified circumstances.

Our view:

- To attract the employees, ESOP scheme should contain a buy-back clause or promoters should commit in writing that they will purchase certain no. of shares at specific intervals i.e. say every year based on independent valuation otherwise such scheme remains non-lucrative.