

**DRAFT OF THE REVISED ESOP PLAN 2011 - SUBJECT TO THE APPROVAL OF THE MEMBERS OF THE COMPANY PROPOSED AT THE FOURTEENTH ANUUAL GENERAL MEETING TO BE HELD ON JULY 7, 2017**

**BHARAT FINANCIAL INCLUSION LIMITED<sup>1</sup>**  
**(formerly known as 'SKS Microfinance Limited')**

Bharat Financial Inclusion Employee Stock Option Plan 2011<sup>2</sup>

(Version 4 : July 7, 2017)

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<sup>1</sup> *The Company's name has been changed from "SKS Microfinance Limited" to "Bharat Financial Inclusion Limited" effective June 13, 2016 and accordingly reference to "SKS" and "SKS Microfinance" changed to "BFIL" in the Plan.*

<sup>2</sup> *It is proposed to change the name of the plan from "SKS Microfinance Employee Stock Option Plan 2011" to "Bharat Financial Inclusion Employee Stock Option Plan 2011" and the approval of the shareholders is proposed to be sought at the Fourteenth Annual General Meeting to be held on July 7, 2017.*

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<sup>3</sup> With the approval of the Board at its meeting held on July 24, 2014, the Compensation Committee has been merged with the "Nomination Committee" and consequently the name of the merged committee has been changed to "Nomination and Remuneration Committee". Reference to "Compensation Committee" has been changed to "Nomination and Remuneration Committee" in the Plan vide addendum dated July 22, 2015.

<sup>4</sup> Inserted new Article 13 titled "Valuation" with the approval of the Committee on August 8, 2012.

<sup>5</sup> Article titled "Dividend" changed to "Preservation of Powers" with the approval of the Committee on August 8, 2012.

## ARTICLE 1

### TITLE

- 1.1 The Plan shall be called the **Bharat Financial Inclusion Employee Stock Option Plan 2011**<sup>2</sup>.

## ARTICLE 2

### AUTHORITY

- 2.1 The Plan has been approved by the Shareholders by passing the necessary special resolution dated December 7, 2011. The Plan has been amended in accordance with the approval of the Shareholders by passing the necessary special resolution dated July ●, 2017<sup>6</sup>.

## ARTICLE 3

### OBJECTS

- 3.1<sup>7</sup> Bharat Financial Inclusion Limited<sup>1</sup> (formerly known as SKS Microfinance Limited) ("BFIL"), a company limited by shares, incorporated and registered under the Companies Act, 1956, having its Registered Office at Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051, India<sup>8</sup>, has structured the Plan for its Employees. The objects of the Plan are:

- (i) To provide means to enable the Company to attract and retain appropriate human talent in the employment of the Company;
- (ii) To motivate the Employees of BFIL with incentives and reward opportunities;
- (iii) To achieve sustained growth of BFIL and the creation of Shareholder value by aligning the interests of the Employees with the long term interests of BFIL; and
- (iv) To create a sense of ownership and participation amongst the Employees.

The Plan will be subject to applicable legal statutes, including, but not limited to, the Companies Act, 1956 (to the extent in force) and the Companies Act, 2013<sup>9</sup>, the Income Tax Act, 1961, the Foreign Exchange Management Act, 1999 and the Securities and Exchange Board of India Act, 1992 and the rules / guidelines / regulations / notifications issued thereunder, and any statutory modifications or re-enactments thereof.

## ARTICLE 4

### DEFINITIONS AND INTERPRETATIONS

#### **I) Definitions:**

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<sup>6</sup> The following sentence is proposed to be inserted and the approval of the shareholders will be sought at the Fourteenth Annual General Meeting held on July 7, 2017. "The Plan has been amended in accordance with the approval of the Shareholders by passing the necessary special resolution passed at the Fourteenth Annual General Meeting held on July 7, 2017."

<sup>7</sup> Clause 3.1 amended with the approval of the Committee on August 8, 2012.

<sup>8</sup> The old registered office address "'Ashoka Raghupati Chambers', D. No. 1-10-60 to 62, Opp. Shoppers Stop, Begumpet, Hyderabad – 500 016, A.P, India" is deleted and new registered office address " Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051, India" is inserted with the approval of the Committee at its meeting.

<sup>9</sup> The text "(to the extent in force) and the Companies Act, 2013" is proposed to be inserted with the approval of the Committee at its meeting to be held on May 17, 2017.

In the Plan the following expressions, including their grammatical variations and cognate expression shall, unless repugnant to the context of usage, have the meaning assigned to them respectively hereunder:

- 4.1 **"Applicable Law"** means the legal statutes, to the extent applicable to stock options, including, but not limited to, the Income Tax Act, 1961, the Companies Act, 1956 (to the extent in force) and the the Companies Act, 2013<sup>9</sup>, the Securities and Exchange Board of India Act, 1992, the Foreign Exchange Management Act, 1999, and the rules/ guidelines/regulations/ notifications issued thereunder, and any statutory modifications or re-enactments thereof.
- 4.2 **"Board of Directors"** or **"Board"** means the board of directors of the Company.
- 4.3 **"BFIL Letter of Grant"**<sup>10</sup> means the letter issued by the Company to the Employee upon grant of Options containing brief details of the Options Granted.
- 4.4 **"Bharat Financial Stock Option Agreement"**<sup>11</sup> means a written document between the Company and the Grantee, the form(s) of which shall be approved, from time to time, by the Board or by the Nomination and Remuneration Committee<sup>3</sup>, containing the terms and conditions for Grant of Options under the Plan and includes any documents attached to or incorporated into such Bharat Financial Stock Option Agreement<sup>11</sup>.
- 4.5 **"Cause"** shall include, (i) the continued failure of the Employee to substantially perform his duties to the Company or Subsidiary(ies), as the case may be (other than any such failure resulting from retirement, death or disability); (ii) the engaging by the Employee in wilful, reckless or grossly negligent conduct which is determined by the Nomination and Remuneration Committee<sup>3</sup> to be detrimental to the interest of the Company or any of its subsidiaries/ affiliates, monetarily or otherwise; (iii) fraud, misfeasance, breach of trust or wrongful disclosure of any secret or confidential information about the Company or its Subsidiary(ies); (iv) the Employee's pleading guilty to or conviction of an offence which in the opinion of the Nomination and Remuneration Committee<sup>3</sup> involves moral turpitude; and (v) such other matters as are determined by the Nomination and Remuneration Committee<sup>3</sup>, whether before or after the termination, to amount to "Cause".
- 4.6 **"Change in Capital Structure"** means a change in the capital structure of the Company as a result of the reclassification of Shares, splitting up of the face value of Shares, sub-division of Shares, issue of bonus Shares, rights or preferential issue of Shares, conversion of Shares into other Shares or securities and any change in the rights or obligations in respect of the Shares.
- 4.7 **"Company"** or **"BFIL"**<sup>1</sup> means Bharat Financial Inclusion Limited<sup>1</sup> (formerly known as SKS Microfinance Limited), [CIN: L65999MH2003PLC250504] a company limited by shares, incorporated in India under the provisions of the Companies Act, 2013, having its registered office at Unit No. 410, Madhava, Bandra-Kurla Complex, Bandra (East), Mumbai – 400052 and Head Office at My Home Tycoon, 3<sup>rd</sup> Floor, Block-A, 6-3-1192, Kundanbagh, Begumpet Main Road, Hyderabad – 500016, India, and includes its successors and assigns.<sup>12</sup>
- 4.8 **"Corporate Action"** means one of the following events or other similar events:

<sup>10</sup> Clause 4.23A is proposed to be replaced with Clause 4.3 and the term "SKS Letter of Grant" is replaced with "BFIL Letter of Grant" with the approval of the Committee at its meeting held on May 17, 2017. Clause 4.23A was inserted vide addendum dated July 22, 2015.

<sup>11</sup> Clause 4.24 proposed to be replaced with Clause 4.4 and the term "SKS Microfinance Stock Option Agreement" is also proposed to be replaced with "Bharat Financial Stock Option Agreement" with the approval of the Committee at its meeting to be held on May 17, 2017.

<sup>12</sup> Definition amended vide addendum dated July 22, 2015 to reflect new name and new address of registered office.

- (i) the merger, de-merger, spin-off, consolidation, amalgamation, sale of business, dissolution or other reorganization of the Company in which the Shares are converted into or exchanged for:
  - (a) a different class of securities of the Company; or
  - (b) any securities of any other issuer; or
  - (c) cash; or
  - (d) other property.
- (ii) the sale, lease or exchange of all or substantially all of the assets or undertakings of the Company.
- (iii) the adoption by the Shareholders of the Company of a scheme of liquidation, dissolution or winding up.
- (iv) acquisition (other than acquisition pursuant to any other sub-clause of this clause) by any company, person, entity or group of a controlling stake in the Company. For this purpose “controlling stake” shall mean more than 50% of the voting share capital of the Company.
- (v) any other event, which in the opinion of the Board has a material impact on the business of the Company.

4.9 **"Employee"**<sup>13</sup> means an.

- (i) a permanent employee of the Company who has been working in India or outside India; or
- (ii) a director of the Company, whether a whole time director or not but excluding an independent director

but does not include –

- (a) an employee who is a promoter or a person belonging to the promoter group;
- (b) a director who either himself or through his relative(s) or through any body corporate(s), directly or indirectly, holds more than ten percent of the outstanding equity shares of the Company.

4.10 **"Eligible Employee"** means an Employee identified by the Nomination and Remuneration Committee<sup>3</sup> as per Article 9 except such Employees who are not eligible to receive Options under Applicable Law.

4.11 **"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 Plan, along with the Exercise Price payable for the Shares.

4.12 **"Exercise Date"** means the date on which an Employee elects to Exercise the Options.

4.13 **"Exercise Period"** for an Option, means the time period after Vesting of that Option which the Employee shall have to Exercise that Option in accordance with Article 14.1.

4.14 **"Exercise Price"** of an Option, means the price payable by the Employee, determined in accordance with Article 12, for Exercising that Option.

4.15 **"Grant"** of an Option means the issue of that Option to an Employee under the Plan.

4.16 **"Grant Date"**<sup>14</sup> means the date specified in the BFIL Letter of Grant or Bharat Financial Inclusion Stock Options Agreement on which a Grant is made to the Employee by the Nomination and Remuneration Committee<sup>3</sup>.

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<sup>13</sup> Definition of Employee amended in line with SEBI (SBEB) Regulations vide addendum date July 22, 2015.

<sup>14</sup> Definition of “Grant Date” inserted vide addendum to the plan on July 22, 2015.

- 4.17 **"Grantee"** of an Option means an Eligible Employee who holds an Option pursuant to the Plan, and where the context so requires includes the legal heirs and / or the Nominee of such Grantee.
- 4.18 **"Nomination and Remuneration Committee"**<sup>15</sup> means the Nomination and Remuneration Committee of the Directors as constituted by the Board.
- 4.19 **"Nominee"** in relation to an Option shall mean the person nominated by the Grantee of that Option in relation to that Option under Article 14.6.
- 4.20 **"Option"** means the employee stock options granted to an Employee pursuant to this Plan, which gives such Employee, the right to subscribe, at a future date, to Shares offered by the Company at a predetermined price, in accordance with this Plan.
- 4.21 **"Plan"** means the "Bharat Financial Inclusion Employee Stock Option Plan – 2011"<sup>2</sup> as set out herein and shall include any alterations, amendments, additions, deletions, modifications, or variations thereof from time to time.
- 4.22 **"Promoter"** and "Promoter Group" shall have the meanings respectively assigned to them in the SEBI (SBEB) Regulations<sup>16</sup>.
- 4.23 **"Relative"** shall have the meaning assigned to it in the SEBI (SBEB) Regulations<sup>16</sup>.
- 4.24 **"SEBI (SBEB) Regulations"**<sup>16</sup> means the Securities and Exchange Board of India Share Based Employee Benefits) Regulations, 2014 as amended from time to time and shall include any guidelines, regulations or law on the subject of employee stock options that supersede the SEBI (SBEB) Regulations .
- 4.25 **"Share"** shall have the meaning assigned to it in the SEBI (SBEB) Regulations<sup>16</sup>.
- 4.26 **"Shareholder"** means a person who is the registered holder of an equity share in the share capital of the Company.
- 4.27 **"Subsidiary"** means a subsidiary of BFIL incorporated / acquired hereafter, as defined in the Companies Act, 1956 (to the extent in force) and the the Companies Act, 2013<sup>9</sup>.
- 4.28 **"Unvested Option"** means an Option, which is not a Vested Option.
- 4.29 **"Vested Option"** means an Option, which has Vested in pursuance of Article 11 with the Grantee (or Nominees or legal heirs of the Grantee) and has thereby become Exercisable.
- 4.30 **"Vesting"** of an Option means the acquisition by the Grantee (or, by Nominees or legal heirs of the Grantee) of that Option of the right, in accordance with Article 11, to apply for Shares of the Company against that Option.
- 4.31 **"Vesting Date"** in relation to an Option means the date on which the Option Vests in accordance with Article 11 and after which date it can be Exercised by the Grantee of that Option in accordance with this Plan.

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<sup>15</sup> Earlier Clause 4.6 the definition of Compensation Committee has been substituted with new definition of "Nomination and Remuneration Committee" in Clause 4.18.

<sup>16</sup> Earlier Clause 4.10 containing definition of ESOP Guidelines replaced with Clause 4.24 defining SEBI (SBEB) Regulations vide addendum to the plan on July 22, 2015. Accordingly the term "ESOP Guidelines" has been replaced with "SEBI (SBEB) Regulations" in the Plan.

4.32 **"Vesting Period"** in relation to an Option means the period between the grant of that Option and the Vesting Date of that Option.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the SEBI (SBEB) Regulations<sup>16</sup>.

## **II) Interpretations:**

In this document, unless the contrary intention expressly appears:

- a) the singular includes the plural and *vice versa*;
- b) the word "person" includes an individual, a firm, a body corporate or unincorporated or any authority;
- c) any word or expression importing the masculine, feminine or neuter genders only, shall be taken to include all three genders;
- d) where a word or phrase is defined, other parts of speech and grammatical forms of that word or phrase shall have the corresponding meanings;
- e) wherever the Plan uses the word "includes", "including" or words of similar import, it shall be deemed to mean "includes without limitation", "including without limitation" etc.;
- f) wherever any provision of this Plan invests any discretion, power or ability in the Board or in the Nomination and Remuneration Committee<sup>3</sup>, such discretion, power or ability shall be deemed to be absolute to the fullest extent permissible under law provided only that the exercise of discretion, power or ability by the Nomination and Remuneration Committee<sup>3</sup> shall be subject to directions by the Board if any; and
- g) in case of any ambiguity in any provision of this Plan, the Nomination and Remuneration Committee<sup>3</sup> shall have the power to clarify the provision by a resolution and the relevant provision shall be interpreted accordingly.

## **III) Article Headings:**

The headings/ subheadings/ titles/ subtitles are only for the sake of convenience and shall not be interpreted to restrict or otherwise affect the meaning or import of the Articles/Clauses, which shall be interpreted solely in light of the contents thereof.

## **IV) References:**

- (i) A reference to an Article is to an Article of this document.
- (ii) Reference to any Act, rules, statute or notification shall include any statutory modification, substitution or re-enactment thereof.

## **ARTICLE 5**

### **IMPLEMENTATION**

5.1 The Plan shall be implemented by the Nomination and Remuneration Committee<sup>3</sup> under the policy and framework provided by the Board of Directors of the Company and in accordance with the authority delegated to the Nomination and Remuneration Committee<sup>3</sup> in this regard from time to time.

## **ARTICLE 6**

### **STOCK AVAILABLE UNDER THE PLAN**

- 6.1 The maximum number of Options that may be issued under the Plan shall not exceed an aggregate of 41,00,000 (Forty-One Lakh)<sup>17</sup> Equity Shares of the Company. Subject to Applicable Law, the Company reserves the right to increase or reduce the number of Options that may be issued under this Plan as it deems fit.
- 6.2 All Options that have lapsed (including those having lapsed by way of forfeiture) shall be added back to the number of Options that are pending to be Granted. The Company may make a Grant of such Options within the overall limit determined in accordance with the Plan on such terms as the Nomination and Remuneration Committee<sup>3</sup> may decide.

## ARTICLE 7

### EFFECTIVE DATE AND PLAN DURATION

- 7.1 The Plan shall be deemed to have come into force on December 7, 2011.
- 7.2 The Plan shall remain in effect until all Options Granted under the Plan have been Exercised or have expired by reason of lapse of time, whichever is earlier or such other date as may be determined by the Board of Directors.
- 7.3 If any Options Granted under the Plan are terminated / forfeited / lapsed under the provisions of the Plan, such Options shall be available for further Grant under the Plan on such terms as the Nomination and Remuneration Committee<sup>3</sup> may decide.

## ARTICLE 8

### Nomination and Remuneration Committee<sup>3</sup>

- 8.1 The Nomination and Remuneration Committee<sup>3</sup> shall administer, implement and supervise the implementation of the Plan.
- 8.2 Subject to the terms of the Plan and Applicable Law, the powers of the Nomination and Remuneration Committee<sup>3</sup>, *inter alia*, include the power to:
- 8.2.1 determine the Employees eligible to participate under this Plan;
  - 8.2.2 determine the performance parameters for Grant and/or Vesting of Options granted to an Employee;
  - 8.2.3 assess the performance of an Employee for granting/determining the Vesting of the Options;
  - 8.2.4 determine the number of Options to be granted, to each Grantee and in the aggregate, and the times at which such Options shall be Granted;
  - 8.2.5 determine the number and type of Shares to be covered by each Option granted under this Plan;
  - 8.2.6 determine the Vesting Period of the Grant made to any Employee and/or any conditions subject to which such Vesting may take place;

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<sup>17</sup> The maximum number of Option available under the Plan are increased from 13,50,000 to 41,00,000 pursuant to approval of the Shareholders accorded at the Fourteenth Annual General Meeting held on July 7, 2017.



- 8.2.7 determine the Exercise Price of each Option granted under this Plan and provide for it in the Bharat Financial Stock Option Agreement<sup>11</sup> relating to that Option;
- 8.2.8 reprice the Options which are not exercised, whether or not they have been vested, if those Options are rendered unattractive due to fall in price of Shares in the market. Provided that such repricing shall not be detrimental to the interest of the employees.
- 8.2.8 list the conditions under which Vested Options may lapse including termination of employment for fraud, misconduct or where an Employee joins a competitor, etc;
- 8.2.9 determine the Exercise Period within which the Employee should exercise the Options and that Options would lapse on failure to exercise the Option within the Exercise Period;
- 8.2.10 specify the time period within which the Employee shall Exercise the Vested Options in the event of termination or resignation by an Employee; for the avoidance of doubt it is clarified that this power shall, to the extent permissible in law, also include the power to stipulate a time period later than the date when such Employee's Exercise Period would otherwise have lapsed;
- 8.2.11 determine the procedure for making fair and reasonable adjustments, *inter alia*, to the number or terms of Options and to the Exercise Price, in case of Change in the Capital Structure and/or Corporate Action. In this regard, the following shall be taken into consideration by the Nomination and Remuneration Committee<sup>3</sup>:
- i) the number and the price of Options may be adjusted in a manner such that total value of the Options remains the same after the Corporate Action;
  - ii) for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered;
  - iii) the Vesting Period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Option holders.
- 8.2.12 provide for the right of an Employee to exercise all the Vested Options in him at one time or at various points of time within the Exercise Period;
- 8.2.13 list the procedure for cashless exercise of Options, if any;
- 8.2.14 provide for modifications to the terms of Grant, Vesting and Exercise of Options in case of Grantees who are on long leave or whose services have been seconded to any other person by the Company or who have joined a Subsidiary at the instance of the Company;
- 8.2.15 satisfy withholding tax obligations by electing to have the Company withhold from the Shares to be issued, that number of Shares having a value (computed in such manner as the Nomination and Remuneration Committee<sup>3</sup> deems fit) equal to the minimum amount required to be withheld; and
- 8.2.16 exercise such rights and to do such acts, as may be necessary or expedient in connection with the implementation, administration and superintendence of the Plan.
- 8.3 The Nomination and Remuneration Committee<sup>3</sup> shall frame suitable policies and systems to ensure that there is no violation of;

- (a) Securities and Exchange Board of India (Insider Trading) Regulations, 2015<sup>18</sup>;
- (b) Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeover) Regulations, 2011<sup>18</sup>; and
- (c) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2013<sup>18</sup>, by any employee.

8.4 The decision of the Nomination and Remuneration Committee<sup>3</sup> shall be final and binding in respect of the Plan. The Nomination and Remuneration Committee<sup>3</sup> shall be authorized to interpret the Plan, to establish, amend and rescind any rules and regulations relating to the Plan and to make any other determinations that it deems necessary or desirable for the administration and implementation of the Plan. The Nomination and Remuneration Committee<sup>3</sup> may correct any defect, omission or reconcile any inconsistency in the Plan in the manner and to the extent the Committee deems necessary or desirable. Subject to the Applicable Laws, any decision of the Committee in the interpretation and administration of this Plan as described herein, shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned (including, but not limited to, Grantee and/or Nominees and their beneficiaries or successors).

## ARTICLE 9

### ELIGIBLE EMPLOYEES

- 9.1 The Nomination and Remuneration Committee<sup>3</sup>, based on the various criteria including role/designation of the Employee, length of service with the Company, past performance record, future potential of Employee etc. (which shall be decided from time to time) shall identify the Eligible Employees for a Grant under the Plan and the terms and conditions thereof.
- 9.2 The Nomination and Remuneration Committee<sup>3</sup> with or without the recommendation of the Board of Directors, may in its absolute discretion, vary or modify such criteria and / or selection and / or the terms and conditions for Grant of Shares to any Employee or class of Employees.

## ARTICLE 10

### GRANT

- 10.1 The Nomination and Remuneration Committee<sup>3</sup> may from time to time, make Grants to one or more Eligible Employees, which may include recurring Grants to the same Eligible Employee. The maximum number of Shares that may be issued pursuant to the Exercise of all Options issued per Eligible Employee in any financial year under this Plan shall not exceed 0.5% of the issued capital (excluding outstanding warrants, Options and other convertible securities) of the Company [as on the date of the issuance of the Option last granted to such Eligible Employee] and the aggregate number of Shares that may be issued pursuant to the Exercise of all Options issued per Eligible Employee in any case shall not exceed 1% of the issued capital (excluding outstanding warrants, Options and other convertible securities) of the Company as on the date of the issuance of the Option last granted to such Eligible Employee.
- 10.2 A Grant agreed to be made to a prospective Employee upon the condition that such person becomes an Employee shall, if the Nomination and Remuneration Committee<sup>3</sup> so decides and to the extent permitted under Applicable Law, be deemed to have been Granted, effective on the date such person takes up employment with the Company.

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<sup>18</sup> Changes made to reflect updated Regulations.

- 10.3 The Grant shall be in writing and shall specify the number of Options Granted, the Exercise Price, the Vesting Period, the Exercise Period and the other terms and conditions thereof.
- 10.4 The Grantee shall not assign, transfer, pledge or hypothecate his rights or obligations relating to the Options, to any third party. The Option shall be exercisable during the lifetime of the Grantee only by such Grantee or in case of death or of such permanent incapacity of the Grantee as renders the him or her incapable of exercising the Option himself or herself, by the Employee's Nominees.

## ARTICLE 11

### VESTING OF OPTIONS

- 11.1<sup>19</sup> Unless longer period is specified in the BFIL<sup>1</sup> Letter of Grant and/or Bharat Financial Stock Option Agreement<sup>11</sup>, all initial Grants made to an employee shall be subject to minimum vesting period of one (1) year.

Provided that in case where options are granted in lieu of Options held by a person under an employee stock option scheme in another company which has merged or amalgamated with the Company, the period during which the options granted by the transferor company were held by him shall be adjusted against the minimum vesting period required under this section.

## ARTICLE 12

### EXERCISE PRICE

- 12.1 The Exercise Price for the Shares to be issued pursuant to the Exercise of an Option shall be such price as is determined by the Nomination and Remuneration Committee<sup>3</sup> (and set forth in the Bharat Financial Stock Option Agreement<sup>11</sup>) based on the Fair Market Value per Share on the date of Grant of the Option but it shall not be lower than the face value of the Equity Shares to be issued.<sup>20</sup>

## ARTICLE 13

### VALUATION

- 13.1 The Company shall value all Options using the fair value method<sup>21</sup>.

## ARTICLE 14

### EXERCISE OF OPTIONS

- 14.1 The Exercise Period of an Option would commence from its Vesting Date and will expire on completion of such period, not exceeding 5 (Five) years from the date of Grant of that Option, as shall be determined by the Nomination and Remuneration Committee<sup>3</sup>. Within the maximum permissible Exercise Period mentioned in the preceding sentence, the Nomination and Remuneration Committee<sup>3</sup> may extend the Exercise Period for one or more Grantee(s) at one or more times, as it may deem fit.
- 14.2 The Grantee may, at any time during the Exercise Period, and subject to fulfilment of all applicable conditions, exercise the Options by submitting an application to the Nomination and Remuneration Committee<sup>3</sup> to issue and allot him Shares pursuant to the Vested Options, accompanied by payment of an amount equivalent to the Exercise Price in respect of such Shares.

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<sup>19</sup> Clause 11.1 amended vide addendum to the plan on July 22, 2015.

<sup>20</sup> Clause 12.1 amended vide addendum to the plan on August 8, 2012.

<sup>21</sup> Clause 13.1 amended vide addendum to the plan on August 8, 2012 – changing valuation from intrinsic to fair value method.

- 14.3 Payment of the Exercise Price for the Shares to be acquired pursuant to any Options shall be made in such manner as may be approved by the Board from time to time and to the extent permitted by law(s) for the time being in force.
- 14.4 Options will lapse if not Exercised within the specified Exercise Period and shall be available for being re-Granted in the future to the same or to other Eligible Employees.
- 14.5 Until the issuance and allotment of the Shares (as evidenced by the appropriate entry in the books of the Company or of a duly authorized transfer agent of the Company) consequent to the Exercise of the Options, no right to vote or receive dividends or any other rights as a Shareholder shall exist with respect to the Options, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the issuance of Shares.
- 14.6 The Grantee may appoint any person as Nominee for the purpose of Exercising the Option on his death or on incurring such physical incapacity as renders him incapable of exercising the Options himself, subject to the terms and conditions of the Plan. The Grantee shall appoint such Nominee by submitting a letter in the form specified by the Nomination and Remuneration Committee<sup>3</sup> in this regard. The Grantee shall have the right to revoke / change such nomination. The Grantee may appoint different Nominees for different Options. The Nominee shall alone be entitled to exercise the rights of the Employee concerned in the event of the death of the Employee.
- 14.7 The Shares allotted upon the exercise of an Option will rank *pari passu* in all respects with the then existing issued Shares of the same class of the Company.

## ARTICLE 15

### PRESERVATION OF POWERS

- 15.1 Nothing in this Plan shall prejudice or waive any (and the Plan does hereby expressly reserve all) powers, right and discretion granted by Applicable Law to the Board, the Nomination and Remuneration Committee<sup>3</sup> or the Company.

## ARTICLE 16

### CESSATION OF EMPLOYMENT

- 16.1<sup>22</sup> If a Grantee's employment (or other service) with the Company terminated due to:
- (i) cause;
  - (ii) Resignation;
  - (iii) Superannuation
- the Options, to the extent not previously vested, would lapse.

Provided that in such cases, the Nomination and Remuneration Committee<sup>3</sup> at its discretion would be entitled to extend the exercise period of vested Options on the date of such termination of employee (or service).

- 16.2 Termination without Cause: If a Grantee's service with the Company or its Subsidiary, as the case may be, is terminated by the Company (or its Subsidiary) for reasons other than Cause, then

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<sup>22</sup> Clause 16.1 amended vide addendum to the plan on July 22, 2015.

- (A) (s)he would be entitled to retain and Exercise all his or her Vested Options in accordance with this Plan provided however that the Nomination and Remuneration Committee<sup>3</sup> shall be entitled to accelerate the expiry of the Exercise Period of Vested Options; and
- (B) subject to Article 16.3 below, all his or her unvested Options will lapse unless the Nomination and Remuneration Committee<sup>3</sup>, at its discretion and subject to Applicable Law, permits the Grantee to retain some or all unvested Options subject to such conditions (including as to acceleration of Vesting and/ or Exercise) as the Nomination and Remuneration Committee<sup>3</sup> may decide.

16.3<sup>23</sup> If a Grantee's employment with the Company, terminates due to:

- (i) Death
- (ii) Permanent incapacity

In the event of death or permanent incapacitation of the employee while in employment, all the Options, granted to him till the date of death or as on the date of permanent incapacitation, shall vest in the legal heirs or nominees of the deceased employee or vest in him, as the case may be.

These Options shall be exercised within a period of 6 (six) months following such event or such extended time as provided by the Nomination and Compensation Committee<sup>3</sup>. The Options may be exercised by the employee or in his absence by the nominee designated by the employee, or if no nominee is designated, by the executor or administrator of the employee's estate.

- 16.4 Nothing contained in Article 15 shall apply, in the event of cessation of the Employee's services due to secondment or deputation by the Company in India or outside India, so long as the Employee continues to be employed by the Company or its Subsidiary. Provided, further, that the Nomination and Remuneration Committee<sup>3</sup> may relax any of the conditions and provisions of Article 15 in case of an Employee who resigns from service of the Company to join its Subsidiary or *vice versa*.
- 16.5 For the avoidance of doubt, the Nomination and Remuneration Committee<sup>3</sup> may impose the terms, or take the decisions, referred to in this Article 15 at any time, whether before or after termination of services.

## ARTICLE 17

### CHANGE IN CAPITAL STRUCTURE OR CORPORATE ACTION

- 17.1<sup>24</sup> This Article 17 shall prevail notwithstanding anything to the contrary contained in this Plan.
- 17.2<sup>24</sup> All Options may be adjusted, by the Nomination and Remuneration Committee<sup>3</sup>, as to all aspects including number of Options or Shares, Exercise Price, type of Shares, Vesting Period and Exercise Period, in the event of Change in Capital Structure or a Corporate Action. Without prejudice to the generality of the foregoing, permissible adjustments shall include forfeiture with or without cash compensation, issuance of Options or securities of another entity or any other action whatsoever that the Nomination and Remuneration Committee<sup>3</sup> decides in its absolute discretion as per SEBI (SBEB) Regulations<sup>16</sup>.
- 17.3 The existence of the Plan and the Grants made hereunder shall not in any way affect the right or the power of the Board of Directors or the Shareholders or the Company to make or authorise any Change in Capital Structure or any Corporate Action including any issue of Shares, debt or other securities having any priority or preference with respect to any rights. Nothing contained in the Plan shall prevent

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<sup>23</sup> Clause 16.3 amended *vide addendum to the plan on July 22, 2015*.

<sup>24</sup> Clause 17.1 and 17.2 amended *vide addendum to the plan on August 8, 2012*.

the Company from taking any Corporate Action, whether or not such action would have an adverse effect on the Plan or any Grant made under the Plan. No person shall have any claim under this Plan against the Company or other entity that takes over a part or whole of the business of the Company as a result of such action.

- 17.4 Without prejudice to Article 8.4, in case of Change in Capital Structure or Corporate Action, the decision of the Nomination and Remuneration Committee<sup>3</sup> on whether any adjustments are required to the Options (Vested or unvested) shall be final and binding.

## ARTICLE 18

### AMENDMENT OF THE PLAN

- 18.1 Subject to Applicable Law, the Board of Directors in its absolute discretion may from time to time amend, alter or terminate the Plan or any Grant or the terms and conditions thereof, provided, that no amendment, alteration or termination in any Grant previously made may be carried out, which shall impair or prejudice the rights of the Grantee without the consent of the Grantee.
- 18.2 Without prejudice to Article 17.1 and notwithstanding the proviso thereto, the Board of Directors, may without any reference to or consent of any Employee or Grantee, amend the Plan or any Grant or any Bharat Financial Stock Option Agreement<sup>11</sup> to comply with any law, regulation or guideline, which is or may hereinafter, become applicable to the Plan or to any Grant.

## ARTICLE 19

### OTHERS

#### 19.1 **Consequence of failure to exercise option:**

The amount payable by the Grantee, if any, at the time of Grant of Option:

- (a) may be forfeited by the Company if the Option is not Exercised by the Grantee (or his/ her Nominee/ legal heirs) within the Exercise Period; or
- (b) may be refunded to the Grantee (or his/ her Nominee/ legal heirs) if the Options are not Vested due to non-fulfillment of conditions relating to Vesting of Option as per the Plan.

#### 19.2 **No Right to a Grant**

Neither the adoption of the Plan, nor any action of the Board of Directors or Nomination and Remuneration Committee<sup>3</sup> shall be deemed to give any person any right to be granted any Option or to any other rights hereunder except as may be evidenced by Bharat Financial Stock Option Agreement<sup>11</sup> duly executed by the Company and a Grantee.

#### 19.3 **No employment rights conferred**

Nothing contained in the Plan or in any Grant made hereunder shall:

- (i) confer upon any Employee any right with respect to continuation of employment or engagement with the Company or its Subsidiary, or
- (ii) interfere in any way with the right of the Company or its Subsidiary to terminate employment or services of any Employee at any time.

**19.4 Lock-in period**

To the extent permissible under Applicable Law, the Nomination and Remuneration Committee<sup>3</sup> may specify a lock-in period for the Shares issued pursuant to exercise of Options.

**19.5 Accounting policies**

The Company shall comply with the accounting policies as may be applicable as per Applicable Law from time to time.

**19.6 Taxes**

All Options granted under the Plan shall be subject to all applicable taxes, withholding tax (including, but not limited to, Fringe Benefit Tax or tax on perquisites, as and if applicable) and/or any levy and/or any contribution and/or any payment (by whatever name it is called) arising due to participation in the Plan (in or outside India), if any, and the Company accordingly, shall withhold such taxes and/or levy and/or contribution and/or payment in full unless the Nomination and Remuneration Committee<sup>3</sup> decides otherwise.

Notwithstanding anything contained in the Plan, no Shares/sale proceeds thereof, as the case may be, shall be issued/dispensed to the Employees/Nominees/ legal heirs by the Company in case the Shares are sold, on Exercise of the Options under the Plan, unless applicable taxes, withholding tax (including but not limited to Fringe Benefit Tax, if applicable), levy, contribution and payment are recovered in full, except if the Nomination and Remuneration Committee<sup>3</sup> at its sole discretion decides to recover part of the same from the Employee/Nominee. Grantees shall be deemed to have authorised the Company to sell Shares to discharge withholding and other obligations and appropriate or pay the proceeds thereof on behalf of the Employee.

**19.7 Dissolution or Liquidation**

In the event of the dissolution or liquidation of the Company, each Option will terminate immediately prior to the consummation of such action, unless otherwise determined by the Board.

**19.8 Confidentiality**

The Employee shall ensure complete confidentiality in respect of all documents, matters and discussions in relation to the Plan, Grant, the Bharat Financial Stock Option Agreement<sup>11</sup> or any connected matter. Any violation may result in forfeiture of Options (whether Vested or unvested) as the Nomination and Remuneration Committee<sup>3</sup> may deem fit without prejudice to the other action which may be taken in this regard.

**19.9 Employee to comply with Applicable Laws**

The Employee shall ensure that there is no violation of any Applicable Law including SEBI's regulations on insider trading, substantial acquisition of shares and fraudulent practices.

The Employee shall keep the Company / the Board / the Nomination and Remuneration Committee<sup>3</sup>, fully indemnified and shall hold them harmless against any loss, cost or liability arising in connection with a violation of Applicable Law by the Employee.

#### **19.10 Regulatory approvals**

The implementation of the Plan, the Grant of any Option under this Plan and the issuance of any Shares under the Plan shall be subject to the procurement by the Company and the Employees of all approvals and permits required by any regulatory authorities having jurisdiction over the Plan, the Options or the Shares issued pursuant thereto. Employees will, if requested by the Nomination and Remuneration Committee<sup>3</sup>, provide such assurances and representations to the Company or the Nomination and Remuneration Committee<sup>3</sup>, as the Company or the Nomination and Remuneration Committee<sup>3</sup> may deem necessary or desirable to ensure compliance with all applicable legal and accounting requirements.

#### **19.11 Conditions upon issuance of Shares**

Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Options/Shares under the Plan unless such issuance or delivery would comply with the Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel.

#### **19.12 New plans**

Nothing contained in the Plan shall be construed to prevent the Company from implementing any other new employee stock option plan or similar plan, directly or through any trust settled by the Company which is deemed by the Company to be appropriate or in its best interest, whether or not such other action would have any adverse impact on the Plan or any Grant made under the Plan. No Employee or other person shall have any claim against the Company and/or trust as a result of such action.

#### **19.13 Restriction on transfer of option**

Options granted to an Employee shall not be transferable and shall be Exercisable only by such Employee or his/ her nominees or his/ her legal heirs as provided in this Plan. Options shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner except as may be permitted by the Nomination and Remuneration Committee<sup>3</sup> in its sole discretion.

#### **19.14 Notice and correspondence**

Any notice required to be given by, or any correspondence from, an Employee to the Company / Nomination and Remuneration Committee<sup>3</sup>, may be given at the Company's registered office, or such other address as may be notified in writing.

#### **19.15 Plan exhaustive and severable**

This Plan, along with the letter of grant and the Bharat Financial Stock Option Agreement<sup>11</sup> constitutes the entire understanding in relation to its subject matter. The Plan supersedes all other agreements and understandings whether oral or written with respect to such subject matter including, in the event of a conflict, the letter of grant and the Bharat Financial Stock Option Agreement<sup>11</sup>.

In the event that any term, condition or provision of this Plan is held to be a violation of any Applicable Law, then without prejudice to Article 17.1, the Board shall have the power to amend the Plan to omit such or any other term, condition or provision and in such an event the remaining provisions of the Plan shall continue in full force and effect.



**19.16 Disputes**

Any disputes or differences of any nature arising in relation to the Plan, any Option hereunder or in relation to any rights or obligations hereunder or under any letter of grant or under the Bharat Financial Stock Option Agreement<sup>11</sup> shall be referred to the Nomination and Remuneration Committee<sup>3</sup> and its decision shall be final and binding in all respects. Nomination and Remuneration Committee<sup>3</sup> are evenly divided on any issue, then the dispute shall be referred to the Board whose decision on the matter shall be final and binding in all respects.

**19.17 Governing laws**

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

IN WITNESS WHEREOF THE following director of the Company has set his hand on July ●, 2017.

SIGNED BY

**M, R, Rao**

**Managing Director & CEO**

Bharat Financial Inclusion Limited  
(Formerly SKS Microfinance Limited)

In the presence of

**Vudumula Srinivas Reddy**  
**Sr. EVP – Human Resource**

**Rajendra Patil**  
**Company Secretary**