**ESOP System – Process Flow**

ESOP – Employee Stock Option Plan is a long term incentive policy, where Senior employees are granted stock options.

The Processes developed in the ESOP System are mentioned in the below table:

|  |  |
| --- | --- |
| **Process Name** | **Description** |
| Grant | Grant is a process where employees are being granted a certain number of ESOPs. |
| Vesting | Vesting is the defined time post which an employee will be eligible to exercise his/her options that have been granted. |
| Exercise | Exercise is a process where the employee can exercise(buy) only the options that have been granted and have been vested. |
| Sale | Sale is a process where the employee can sell only the options that have been exercised by the employee. |
| Lapse | Lapse is a status of the ESOPs granted to an employee which can no longer be exercised:   * Lapsed Before Vesting * Lapsed After Vesting |
| Reports | There are certain specific templates basis which reports on the above need to extracted and then there are certain ad-hoc reports that an admin can extract   * Employeewise Summary Report * Transaction Report * Worflow Pending Report * Quarterly Report * Over all dashboard Report |

**Grant:**

NRC (Nomination and Remuneration Committee) decides the Final list of employees & the No. of shares to be granted to the employees. Date of the decision taken by the NRC is the date of grant.

**Workflow Grant** :

Admin → Checker → HR Head→ President → Complete→ Employee

Roles / Participants involved in Grant:

|  |  |
| --- | --- |
| **Role** | **Description** |
| Admin | The Admin updates the system with the below details:   * Date of Grant * Grant Price(FMV) * Identification of Employees to be granted (Integration with HRMS & Bulk Upload Option) * No. of Options granted |
| Checker | Checker to approve on system for all the grants that have been created by the Admin on the ESOP system |
| HR Head | HR Head to approve on system for all the grants that have been approved by the Checker on the ESOP system |
| Presidents | Each employee is mapped to a President (Business Head) and once approved by the HR-Head, the presidents will need to approve the grant  for employees in their reporting hierarchy  Admin is able to approve these grants on behalf the President through Proxy Login |
| Employee | Once the grant is approved by the President, An E-Mail trigger is send to the employee notifying the employee on the grant  along with the Grant Letter & the same is available on the  system for the employee  The employee Dashboard’s is updated basis the above  In case the grant is to a new employee (Who is currently not part of the ESOP Database), then a welcome mailer along with portal details, user manual for the portal is been triggered  Sample Grant Letter:    Note: All the grant letters to are password protected PDF. |

**Vesting:**

Each grant has a fixed vesting cycle basis the below:

1st Vesting (V1) is 25% of the Grant after 2 years

2nd Vesting (V2) is 25% of the Grant after 3 years

3rd Vesting (V3) is 50% of the Grant after 4 years

Admin has the option to configure the % of Grant & the Time Frame at which the Vesting should take place.

**Vesting Example:**

Employee X has been granted 10,000 options on 15-May-2020, then the vesting cycle is as below:

1st Vesting (V1): (2 Years after Grant)

2,500 options (25% of 10,000) on 15-May-2022

2nd Vesting (V2): (3 Years after Grant)

2,500 options (25% of 10,000) on 15-May-2023

3rd Vesting (V3): (4 Years after Grant)

5,000 options (50% of 10,000) on 15-May-2024

Grant can only be vested if the employee is active on the date & is not serving notice period, for better understanding let us take the above example

* If the employee resigns on 04-Aug-2020, then all the options granted (10,000) to employee will Lapse and will be categorized as Lapsed before Vesting
* If the employee resigns on 04-Aug-2022, then options to be vested in V2 & V3 (7,500 of the 10,000 granted) will Lapse and will be categorized as Lapsed before Vesting
* If the employee resigns on 04-Aug-2023, then options to be vested in V3 (5,000 of the 10,000 granted) will Lapse and will be categorized as Lapsed before Vesting
* If the employee resigns on 04-Aug-2024, then 0 options will lapse

**Workflow Vesting** :

Admin → President → Complete→Employee options Vested

**Actions to be performed for Vesting:**

Admin:

* The Admin will log-in to the ESOP System and approve the vesting of all options that are to be vested

President:

* Once the Admin approves the vesting, the respective presidents gets an E-mail notification on the intimation of Vesting for employees in their reporting hierarchy.
* The president will login into the ESOP System and approve the vesting
* Reminder Mails to be triggered for indicating the unapproved list
* Admin is able to approve these grants on behalf of the President

Employee:

* Once the President approves the vesting, the employee is notified via E-mail on the Vesting of the options.

Dashboard & Reports:

* All Dashboards & Reports are updated once the vesting’s have been approved

Admin page setup for reminder mails, where admin can set up the frequency of the mail & the recipients of the mail

**Exercise**

Exercise is process where an employee can only Exercise/Purchase the options that have been vested. Employee can exercise all the available options that have been vested or can exercise partly.

**Workflow Excersise** :

Employee→Admin → Upload Bank Statement→ Secretarial →Complete

Admin:

To set up the exercise, the Admin will have to update the following on the system:

* Exercise Start Date & Exercise End Date
* FMV Price
* FMV Validity (From date & To date)
* Employees Current Tax Bracket (in %)
* Valuer Name (The company which has done the valuation for the FMV)

E-Mail is been triggered to all employees who can exercise options with the Start & End Date of the Exercise period, Current FMV, Portal Link & User Manual

Employee:

* Employee to Login to ESOP Portal and navigate to the Exercise Tab
* Employee can view tranche & vest wise No. of Options available for exercise
* Employee to update the No. of Options to be exercised (Tranche & Vest Wise)
* Basis the above, the below fields to be auto calculated:
  + Application Amount = (No. Of Options exercised \* Grant Price)
  + Perq Tax = (No. Of Options exercised \* {FMV-Grant Price))
  + Total Amount = Application Amount + Perq Tax
* Choose the Payment Mode from the below Options:
  + Cheque
  + NEFT (Bank Transfer)
  + Loan
* Basis the selection from the above Payment Mode following details need to be entered by the employee
  + Cheque:
    - Bank Name
    - Branch Name
    - IFSC Code
    - Cheque Number
    - Cheque Date
    - Cheque Amount
    - Upload Scanned Copy of the Cheque
  + NEFT (Bank Transfer):
    - Bank Name
    - Branch Name
    - Account Number
    - IFSC Code
    - UTR / Transfer Reference Number
    - Upload Transaction Screenshot
  + Loan:
    - Lender Bank Name
    - Loan Amount
    - Margin Money Amount
    - Margin Money Payment Mode – Cheque / NEFT
    - Basis the Margin Money Payment Mode selection, details to be submitted basis the above mentioned fields
* Once the payment mode has been filled, the employee will have to update the below details
  + DP ID
  + Client ID
  + Member Type (NSDL/CDSL)
  + Upload Proof of DP ID & Client ID
* Once all the above details has been submitted by the employee, a small snapshot of the above is made available before submitting the same
* Once the data has been submitted by the employee, it gets locked/non-editable
* In case the employee needs to update any details; they will have to reach out the admin who will make that particular employees page editable
* Admin has the right to update the exercise page on behalf of the employee through Proxy Login.

Admin:

* Once the exercise window is completed, admin will upload the bank statement against the exercise window and submit the data forward to the secretarial Team, HR-Payroll Team & Finance team

Secretarial Team / HR-Payroll Team & Finance team:

* Once submitted by the Admin, the data along with the bank statement will flow to the secretarial team
* The attached excel format is visible on the ESOP Screen and is available for download in excel along with the screenshots updated by the employee.
* The HR Payroll Team & Finance Team can only view & download the data and will not have any other actionable.
* After completion of the offline share transfer by the Secretarial Team, they willapprove the Purchase transaction on the ESOP System
* Mail trigger to the employee & Admin on the completion of the transaction is triggered

Dashboards & Reports:

* After the approval from the secretarial team all Dashboards & Reports are updated

**Sale (For active employees)**

Sale is process where an employee can sell the options that have been exercised. Employee can sell all the available options that have been exercised or can partly sell options that have been exercised.

**Workflow Sale** :

Employee→Admin → Secretarial →Complete

Admin:

To set up the Sell Window, the Admin will have to update the following on the system:

* Sell Start Date & Sell End Date
* FMV Price (Check if the FMV Price is right)

E-Mail should be triggered to all employees who can Sell options with the Start & End Date of the Sell period, Current FMV, Portal Link & User Manual

Employee:

* Employee to Login to ESOP Portal and navigate to the Sell Tab
* Employee can view tranche & vest wise No. of Options Exercised available for Sale
* Employee to update the below:
  + No. of Options to be Sold (Tranche & Vest Wise)
  + DP ID
  + Client ID
  + Member Type (NSDL/CDSL)
  + Bank Name
  + Branch Name
  + Account Number
  + IFSC Code
  + MICR Code
  + Upload Copy of Cancelled Cheque
  + Upload Copy of PAN Card

Once the employee has filled in the above details and has submitted the details, the below attached documents should be available on the system Pre-Filled for it the be physically signed by the employee and uploaded back on the system.

The admin will approve the sale once the transaction has been completed offline

**Sale (For employees Serving Notice)**

Sale is process where an employee can sell the options that have been exercised. Employee need to sell all the available options that have been exercised

**Workflow Sale** :

Employee→Admin → Secretarial →Complete

Admin:

The Admin will have to update the following on the system:

* Employee who has resigned & has ESOP Grants need to integrated from the HRMS
* Admin has an option of manually overriding the details
* FMV Price (Check if the FMV Price is right)

E-Mail should be triggered to the employees with Current FMV, Portal Link & User Manual

Employee:

* Employee to Login to ESOP Portal and navigate to the Sell Tab
* Employee can view tranche & vest wise No. of Options Exercised available for Sale
* Employee can update the below:
  + No. of Options to be Sold (Tranche & Vest Wise)
  + DP ID
  + Client ID
  + Member Type (NSDL/CDSL)
  + Bank Name
  + Branch Name
  + Account Number
  + IFSC Code
  + MICR Code
  + Upload Copy of Cancelled Cheque
  + Upload Copy of PAN Card

Once the employee has filled in the above details and has submitted the details, the below attached documents should be available on the system Pre-Filled for it the be physically signed by the employee and uploaded back on the system.

The admin will approve the sale once the transaction has been completed offline

**Employee Status**

* Active
* Serving Notice
* Inactive
* Retired
* Deputed