**RESOLUTION []: APPROVAL OF ESOP SCHEME**

Approval of ESOP Scheme

**SES RECOMMENDATION**

If the proposed scheme is approved, the total outstanding options would be [], which would result in grant of [] shares or []% of paid-up capital of the Company. Since the potential dilution to shareholders is >5%, SES recommends that the shareholders vote AGAINST the resolution.

**SES ANALYSIS**

**ESOP DISCLOSURES**

|  |  |
| --- | --- |
| **Disclosure requirement** | **Disclosure** |
| Total options in ESOS | Approval of ESOP Scheme - Total ESOPS |
| Employee eligibility | Approval of ESOP Scheme- EMployee Eligibility |
| Vesting period | Approval of ESOP Scheme- Vesting |
| Exercise period | Approval of ESOP Scheme- Time perd |
| Exercise price | Approval of ESOP Scheme - prce |
| Appraisal process | Approval of ESOP Scheme- Araisal |
| Max options/employee | Approval of ESOP Scheme - maximum |
| Conformity with accounting policies | Approval of ESOP Scheme - gaap |
| Valuation methodology | Approval of ESOP Scheme- valuation |
| Transferability of options | Approval of ESOP Scheme - transfer |
| Dilution | []% due to the proposed Scheme and []% due to unutilized options of existing [Scheme Name] which will lead to a total dilution of []% of existing shareholders |
| Route of issue | Approval of ESOP Scheme - route |

**SCHEME ADMINISTRATION**

|  |  |
| --- | --- |
| **Criteria** | **Comments** |
| Compensation committee independence | Approval of ESOP Scheme - independence |
| Accelerated vesting | Approval of ESOP Scheme - accelerated |
| Discretion to board to modify scheme | Approval of ESOP Scheme- directions |

**Total outstanding options across all schemes**

The Company proposes to grant [] options to its employees under the proposed ESOP scheme. In addition, the Company has [] outstanding options under its other ESOP schemes. If the proposed scheme is approved, the total outstanding options would be [], which would result in grant of [] shares or []% of paid-up capital of the Company.

**RESOLUTION []: ESOP RE-PRICING**

ESOP Repricing

**SES RECOMMENDATION**

ESOP 1

**SES ANALYSIS**

**OPTIONS BEING RE-PRICED**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **ESOP Scheme** | **Options outstanding** | **Current Option Price** | **Current Market Price** | **Proposed Option Price** |
| ESOP 1 | ESOP 1 | ESOP 1 | ESOP 1 | ESOP 1 |
| ESOP 1 | ESOP 1 | ESOP 1 | ESOP 1 | ESOP 1 |
| ESOP 1 | ESOP 1 | ESOP 1 | ESOP 1 | ESOP 1 |

**COMPANY'S JUSTIFICATION**

Approval of ESOP Scheme- COmpay' justification

**STOCK PERFORMANCE VERSUS BENCHMARKS**

|  |  |
| --- | --- |
|  | Comments |

ESOP 1

**SES' OPINION ON RE-PRICING**

Shareholders take substantial market risk in owning stocks and SES believes that the employees’ remuneration package should be designed in a way that aligns their interests with shareholder interests. Therefore, Companies grant ESOPs to employees in addition to the existing market determined cash compensation to retain them and reward them for good performance of the Company. SES believes that re-pricing of options defeats the entire objective behind equity based payment by eliminating the downside of options. Re-pricing of stock options removes the investment risk attached to such options and may incentivize management to take unjustifiable risks. In effect, re-pricing ensures that employees receive returns without taking any risk and therefore, removes the element of performance based pay from such remuneration. SES believes that out of money options should not be re-priced and should be allowed to lapse. Shareholders of the Company have no means to recover their actual losses due to poor performance of the Company in the markets. Similarly, employees and management of the Company should not be able to recoup their losses through the option re-pricing.

ESOP 1