

**ASHOK LEYLAND LIMITED**

**Employees Stock Option Plan 2018**

*Scheme approved by the shareholders through Postal Ballot on January 28, 2019*



# ASHOK LEYLAND LIMITED

## Employees Stock Option Plan 2018

### A. Salient features of the Scheme

This Ashok Leyland Limited Employees' Stock Option Plan 2018 (hereinafter referred to as "**AL ESOP 2018**" or "**Scheme**") is pursuant to the authority granted in terms of the approvals by (i) the Board at its meeting dated November 13, 2018; and (ii) the shareholders through Postal Ballot on January 28, 2019 in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulation, 2014 and the provisions of the Companies Act, 2013, read with the relevant rules made therein. Wherever applicable, the Scheme shall be in accordance with the regulations prescribed by Securities and Exchange Board of India (SEBI) and / or any other regulatory authority as may be applicable to the Company and shall not contravene any other law, for the time being in force that is material for giving effect to such Scheme.

The Scheme applies to all employees of the Company (as defined herein below) in accordance with the terms set forth hereinafter. The Scheme shall be administered by the Nomination and Remuneration Committee of Board of Directors, which will act as the Compensation Committee and would decide the entitlement of each Employee based on his/her level, grade, seniority and other relevant factors.

### 1. Definitions and Interpretations

1.1 The terms defined in this section shall, for all purposes of this Scheme, have the meanings herein specified.

- (a) "**Board**" means the Board of Directors of the Company;
- (b) "**Company**" means Ashok Leyland Limited, a company incorporated under the provisions of the Companies Act, 1913, holding corporate identification number L34101TN1948PLC000105, having its registered office at No.1, Sardar Patel Road, Guindy, Chennai - 600 032 and includes its successor or assigns;
- (c) "**Closing Date**" shall be 30 days from the Grant Date during which Options can be accepted by the Grantee. In case such date is a non-working day, then it shall be the immediately following working day;
- (d) "**Employee**" means
  - (i) a permanent employee of the Company who has been working in India or out of India; or



- (ii) a director of the Company, whether a whole-time director or not, but excluding an independent director; or
  - (iii) an employee as defined in clause (i) or (ii) of a subsidiary, in India or outside India, or of a holding company of the company
  - (iv) an employee, as defined in sub-clauses (i) or (ii) of clause 1.1(d) of this Scheme, of the Company but does not include:
    - (a) a employee who is a Promoter or a person belonging to the Promoter Group; or
    - (b) a director who either himself or through his/her relative or through any body corporate, directly or indirectly, holds more than ten percent of the outstanding Shares of the Company;
- (e) **"Eligible Employee"** shall have the meaning as set forth in clause 8 of this Scheme;
- (f) **"Employee Compensation"** means the total cost incurred by the Company towards employee compensation including basic salary, dearness allowance, other allowances, bonus and commissions including the value of all perquisites provided, but does not include:
1. the fair value of the Option granted pursuant to the Scheme; and
  2. the discount at which Share(s) are issued pursuant to the Scheme;
- (g) **"Exercise"**, in relation to Options, means making of an application, in the form of an Exercise Notice, by a Grantee to the Company for issue of Shares against his/her Vested Options in accordance with the Grant and AL ESOP 2018;
- (h) **"Exercise Notice"** means the application/notice by which a Grantee requests the Company to allot Shares against his/her Vested Options in accordance with the Grant and AL ESOP 2018;
- (i) **"Exercise Period"** means a period of four years after Vesting within which a Grantee should Exercise his/her right to apply for Shares against his/her Vested Options in accordance with the Grant and AL ESOP 2018 or any other period as may be deemed fit by the Nomination and Remuneration Committee;
- (j) **"Exercise Price"** means the price payable by the Grantee for exercising his/her Vested Options in accordance with the Grant and AL ESOP 2018, or any other price as may be determined by the Nomination and Remuneration Committee but at least equal to the face value of the Share;
- (k) **"Fair Market Value of Share"** means the latest available closing price on a recognized stock exchange on which shares of the Company are listed on the date immediately prior to the Grant date;



- (l) **“Grant”** means a written agreement between an Eligible Employee and the Company, in the form of an award agreement set out in Schedule I to this Scheme, confirming the grant and issue of Option(s) pursuant to this Scheme and evidencing the terms and conditions upon which they may be exercised;
- (m) **“Nomination and Remuneration Committee/Committee”** means the Nomination and Remuneration Committee constituted or re-constituted by the Board from time to time, consisting of a majority of independent directors, and entrusted with the authority to formulate, implement, supervise and administer, *inter alia*, AL ESOP 2018;
- (n) **“Option”** means the option given to an Eligible Employee pursuant to this Scheme that gives him/her a right to convert the Option at a future date, into Shares offered by the Company, at a pre-determined price. This is a right but not an obligation granted to an Eligible Employee pursuant to the Scheme to apply for and be allotted fully paid-up Shares of the Company at the Exercise Price, during or within the Exercise Period, subject to the requirements of Vesting. Each Option granted would represent the right to apply for 1 (one) Share of the Company.
- (o) **“Grantee”** means an Eligible Employee who has executed the Grant and has signed his/her acceptance thereof;
- (p) **“Performance Condition”** means conditions required to be met along with the time condition for Options to vest. These performance conditions shall be specified in the Grant and may vary for different Employees at the discretion of the Nomination and Remuneration Committee.
- (q) **“Promoter”** shall have the same meaning ascribed to it in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- (r) **“Promoter Group”** shall have the same meaning ascribed to it in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018:
- Provided where the Promoter or Promoter Group of a company is a body corporate, the Promoters of that body corporate shall also be deemed to be Promoters of such company;
- (s) **“Share”** means equity shares of Ashok Leyland Limited of a face value of Re. 1/- each;
- (t) **“SEBI SBEB Regulations”** means Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;



- (u) **“Subsidiary”** means any present or future subsidiary of Ashok Leyland Limited as defined under the Companies Act, 2013, whether incorporated in India or outside India;
- (v) **“Vesting”** means the process by which a Grantee becomes entitled to receive the benefit of a Grant, which includes, the right to Exercise an Option, in accordance with the Grant and AL ESOP 2018;
- (w) **“Vested Option(s)”** means an Option in respect of which the relevant Vesting Period is over; and performance conditions required, if any, for Options to vest have been met
- (x) **“Vesting Period”** means the period, from the date of the Grant till the date on which the Grantee becomes eligible to exercise the Options, as more particularly provided in the Grant; and

## 1.2 Interpretations

In this document, unless otherwise stated or intention appears:

- a. all other expressions shall have the meaning ascribed to it in the Securities and Exchange Board of India Act, 1992 or the Securities Contract (Regulation) Act, 1956, or Companies Act, 2013 or Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 or any statutory modification or re-enactment thereof, as the case may be;
- b. words denoting the singular shall include the plural and vice versa;
- c. words importing a gender include every gender;
- d. heading and bold type face are only for convenience and shall not affect the interpretation hereof;
- e. references to the word “include” or “including” shall be construed without limitation;
- f. reference to a clause is a reference to its clauses in this Scheme; and
- g. references to any statute or statutory provision or rule or regulation shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted.



## 2. Purposes

The purpose of the Scheme is:

- (a) to enable the Company to attract and retain talented human resources by offering them an opportunity to acquire a continuing equity interest in the Company which will reflect their efforts in building the growth and the profitability of the Company;
- (b) to provide existing Employees an opportunity for investment in the Company's equity interest in recognition of their efforts to grow and build the Company;
- (c) Wealth creation for Employees;
- (d) Sustainable implementation of strategy; and
- (e) Rewarding loyalty.

## 3. Quantum of Shares subject to the Scheme

The total number of Options granted by the Company in accordance with AL ESOP 2018 shall be 5,00,00,000. Each Option when exercised will be converted into 1 (one) Equity Share of the Company. In the case of outperformance by the Company, the Board may consider an additional grant for the Employees.

## 4. Scheme Administration

- 4.1 AL ESOP 2018 shall be administered by the Nomination and Remuneration Committee. For the purpose of the SEBI SBEB Regulations, the Nomination and Remuneration Committee shall act as the Compensation Committee of the Board of Directors of the Company.
- 4.2 The Nomination and Remuneration Committee shall, inter alia, interpret the Scheme, prescribe, amend, and rescind rules and regulations relating to the Scheme and make all other determinations necessary or advisable for its administration. The decision of the Nomination and Remuneration Committee on any question concerning the interpretation of the Scheme or its administration with respect to any Option granted pursuant to the Scheme shall be final and binding upon all Eligible Employees.
- 4.3 No member of the Nomination and Remuneration Committee shall be liable for any action or determination made in good faith with respect to the Scheme hereof.
- 4.4 Notwithstanding anything stated herein, but subject to the provisions of the Companies Act, 2013, SEBI SBEB Regulations and other applicable laws, the Nomination and Remuneration Committee, in its absolute discretion, has been authorised to determine all



the terms governing the Scheme, including any variation thereof and including but not limited to:

- (a) the time when the Options are to be granted;
- (b) the price/pricing formula on the basis of which Options would be granted and Shares offered to the Eligible Employees, including the price at which the Options are granted and Shares are offered at the time of Grant or Exercise of Option respectively;
- (c) the number of tranches, if any, in which the Options are to be granted and the number of Options to be granted in each such tranche;
- (d) the criteria for determining the number of Options to be granted to Eligible Employees;
- (e) the terms and conditions subject to which the Options granted would vest with the Eligible Employees;
- (f) the terms and conditions subject to which the Vested Options would be exercised by the Grantee;
- (g) conditions under which the Options/Vested Options with the Grantee may lapse in case of termination of employment for misconduct;
- (h) the procedure for making fair and reasonable adjustment to the number and Options and Exercise Price in case of any corporate actions;
- (i) obtaining permissions from and making periodic reports to regulatory authorities, as may be required and ensuring compliance with all applicable laws;
- (j) formulating of suitable policies and systems to ensure that there is no violation of any applicable law; and
- (k) provisions for providing financial assistance to the Grantees to enable them to acquire, purchase or subscribe to the Shares.

4.5 Each Grantee shall be provided a copy of this Scheme and a copy of the Grant executed by him.

4.6 The Company Secretary of the Company shall maintain such records and data as may be required to administer the Scheme and shall provide each Grantee financial statements of the Company on an annual basis. Grantees shall have access to these statements through intranet and Company website.

## **5. Effective Date**

5.1 Following the adoption of the Scheme by the Board, the Scheme shall become effective from the date, on which it is approved by the shareholders of the Company.

5.2 The shareholders of the Company have granted their approval for introduction of AL ESOP 2018 by way of a special resolution passed through Postal Ballot on January 28, 2019.

Thus, the effective date of the Scheme is January 28, 2019.



## **6. Grant of Options**

6.1 The Nomination and Remuneration Committee may grant Options to the Eligible Employees either:

- (a) at the time of joining employment of the Company or its Subsidiary; or
- (b) at the time of regular performance reviews and depending upon the nature of review that such Eligible Employee obtains; or
- (c) at any other time that the Nomination and Remuneration Committee may deem fit.

6.2 the maximum number of Options Granted to any Grantee during one year under the Scheme shall not exceed one percent of the total issued share capital (excluding outstanding warrants and conversions) at the time of the Grant.

6.3 An offer made under this Clause is personal to the Grantee and cannot be transferred or assigned in any manner whatsoever except in cases referred in Clause 12.3.

6.4 Grant of Options, if any, under the Scheme to Employees who are non-residents shall be in compliance with the provisions of the prevailing laws of the jurisdiction of such Employees subject to the same being in accordance with the provisions of the Foreign Exchange Management Act, 1999, SEBI SBEB Regulations and any other statutory provisions applicable under relevant Indian laws.

## **7. Method of acceptance**

7.1 Any Grantee who wishes to accept the Grant made pursuant to Clause 6 above, must deliver an acceptance form, prescribed by the Committee from time to time, duly completed as required therein to the Committee on or before the Closing date.

7.2 The Grant of Options to any Grantee who fails to return the acceptance form or any acceptance form received by the Company/ Board/ Committee after the Closing date shall not be valid and the Options granted will stand cancelled, unless the Board/ Committee determines otherwise.

## **8. Eligibility**

8.1 The Nomination and Remuneration Committee will determine and designate from time to time such Eligible Employees to whom Options are to be issued and the number of such Options in the Grant pursuant to the Scheme.

8.2 In determining the eligibility of an Employee to receive Options under the Scheme, the Nomination and Remuneration Committee may consider the qualification, experience, hierarchy level in the organisation or performance of an Employee as indicated by the annual performance appraisal, minimum period of service, the position and responsibilities





of an Employee, the nature and value to the Company of his/her services and accomplishments, his/her present and potential contribution to the success of the Company, past service and geographical location and such other factors that the Nomination and Remuneration Committee may deem relevant ("Eligible Employee").

8.3 In case of directors, the eligibility would depend on the period for which the office of the director is held by the incumbent or proposed to be held by the incumbent and such other factors as Nomination & Remuneration Committee may think appropriate. The Nomination and Remuneration Committee at its discretion may extend the benefits of the Scheme to a new director.

## **9. Terms and Conditions of Option**

9.1 Options shall be subject to the following terms and conditions and to such other terms and conditions (not inconsistent with the Scheme) as shall from time to time be approved by the Nomination and Remuneration Committee and incorporated in the Scheme.

- a) No Employee shall have any right to demand from the Company for a Grant, nor shall the Company have any such obligation to any Employee.
- b) It is clearly understood that neither the Grant/Vesting of any Options to an Eligible Employee, per se, assure accrual of a benefit or profit nor the participation of an Eligible Employee in this Scheme shall be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the market price of the Shares or due to the performance of the Company and the risks associated with the investments is that of the Eligible Employee alone.
- c) Upon completion of the Vesting Period and subject to achievement of the Performance Condition(s), as applicable, the Grantee shall have the right to convert his/her Vested Options and subscribe to Shares equivalent to the number of Options held by him/her. Even after the completion of the Vesting Period, the Grantee will not be entitled to any dividends, rights issue or bonus shares issued until such time as the Options are Exercised and Shares issued thereunder are allotted to the Grantee.

9.2 The Committee shall, *inter-alia*, formulate the detailed terms and conditions of the AL ESOP 2018 which shall include the provisions to the extent it is not in violation of the Companies Act, 2013, SEBI SBEB Regulations and other applicable Regulations.

9.3 The Committee shall frame suitable policies and procedures to ensure that there is no violation of securities laws, as amended from time to time, including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating to the Securities Market) Regulations, 2003 by the Company, the and its Employees, as applicable.



## 10. Governmental Regulations

This Scheme shall be subject to all applicable laws, rules, and regulations and to such approvals by any governmental agencies/authorities as may be required. The allotment/grant of Shares/Options in accordance with this Scheme shall entitle the Company to require each Eligible Employee to comply with such requirements of law as may be necessary in the opinion of the Company.

The Board shall make all the relevant disclosures in the Board's Report in relation to the Plan as are required under the Companies Act, 2013, the Rules made thereunder and SEBI SBEB Regulations.

The Company shall follow and confirm to applicable accounting policies issued by the Institute of Chartered Accountants of India from time to time and/or accounting policies as per the Companies Act, 2013 as applicable.

The participant shall comply with the provisions of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations 2003, to the extent applicable, as well as any code of conduct or such similar policy, procedure or system formulated or adopted by the Board and communicated to the participant from time to time. Any violation of the applicable laws or code of conduct may result in cancellation of all vested and unvested Options as well as subject the participant to disciplinary action at the discretion of the Company.

## 11. Option Accounting

In respect of Options granted during any accounting period, the accounting value of the Options shall be treated as another form of Employee Compensation in the financial statements of the Company. The Company shall conform to the disclosures and the accounting policies specified in SEBI SBEB Regulations and other applicable laws as amended from time to time.

## 12. Vesting of Options

- 12.1 The minimum Vesting Period of the Options granted pursuant to AL ESOP 2018 shall be one year from the date of Grant and could be different for different Employees as more particularly set forth in the Grant. The vesting of Stock Options could also be contingent on achievement of certain performance conditions more particularly set forth in the Grant.
- 12.2 The maximum period within which the Options shall be vested under the Scheme shall be six years from the date of the Grant or such other period as may be decided by the Nomination and Remuneration Committee from time to time.



- 12.3 In the event of the death of a Grantee while in employment, all the Vested Options, forthwith vest in his/her legal heirs or nominees on that date and can be exercisable by them within the time period stated in clause 17.3. Similarly, in the event of total and permanent disability while in employment, all the Vested Options, forthwith in him/her or his/her legal heirs, or designated nominees on that date and can be exercisable by him/her or by his/her legal heirs or designated nominees, as the case maybe, within the time period specified in clause 17.3.
- 12.4 However, in the event of the death of a Grantee while in employment, all the Options granted to him/her till such date but not exercisable on the date of the Grantee's death, forthwith vest in his/her legal heirs or nominees on that date and can be exercisable by them within the time period stated in clause 17.3, subject to the Nomination and Remuneration Committee in its discretion deciding on treatment of vesting of any unvested Options and depending on the committee's assessment of contribution made by the Grantee. Similarly, in the event of total and permanent disability while in employment, all the Options granted to a Grantee as on the date of such total permanent disability but not exercisable on the date of the Grantee's total and permanent disability, forthwith in him/her or legal heirs, or designated nominees on that date and can be exercisable by him/her or by his/her legal heirs or designated nominees, as the case maybe, within the time period specified in clause 17.3, subject to the Nomination and Remuneration Committee in its discretion deciding on treatment of vesting of any unvested Options and depending on the Committee's assessment of contribution made by the Grantee
- 12.5 In case the employment of the Grantee with the Company is terminated due to the Grantee's retirement on attaining the superannuation age or onwards, or early retirement after approval from the Company, the Vested Options can be exercised by the Grantee any time before the expiry of Exercise Period. Any unvested Options shall immediately stand cancelled and forfeited. However, since the Options are envisaged to be performance based, Nomination and Remuneration Committee in its discretion can decide on treatment of vesting of any unvested Options depending on the Committee's assessment of contribution made by the Grantee.
- 12.6 Notwithstanding anything mentioned in the AL ESOP 2018, Options which are not vested shall automatically lapse after the Vesting Date without surviving any rights/ liabilities for any party in respect of such Options.
- 12.7 Subject to the Companies (Share Capital and Debentures) Rules, 2014 as applicable and any other applicable law, and unless the Committee decides otherwise, no Options shall vest with an Eligible Employee, if such employee carries on or engages in, directly or indirectly, whether through partnership or as a shareholder, joint venture partner, collaborator, consultant or agent or in any other manner whatsoever, whether for profit or otherwise, any business which competes directly or indirectly with the whole or any part of the business carried on or any activity related to the business carried on by the Company.



Decision of the Board/ Committee/ Company in this regard shall be final and conclusive and cannot be called in question by the Eligible Employee. For the sake of clarity, the restriction contained in this Clause shall not apply to any investment held as a portfolio by the Eligible Employee or any activity/ business carried out by the Eligible Employee pursuant to his/her duties as an Employee or Director of the Company.

- 12.8 Neither the Eligible Employee nor any person entitled to exercise its rights in the event of death of the Eligible Employee, shall be entitled to claim or receive any dividend and right to vote in respect of the Options granted/ vested, till such time as the Shares are transferred/assigned pursuant to a valid Exercise of the Options in favor of such Eligible Employee or such person.

### 13. Exercise of Vested Options

A Grantee has the right to convert any number of his/her Vested Options into Shares in full or in tranches at any time during the Exercise Period subject to the following conditions:

- a) the Option may be Exercised during the continuance of a Grantee's employment with the Company or Subsidiary(ies) subject to the provisions of clause 12 and 13.
- b) The Vested Options may be Exercised by a Grantee during the Exercise Period only by way of an Exercise Notice specifying the number of Vested Options to be Exercised. The Option shall be deemed to be Exercised upon completion of all of the following actions:
  - (i) an Employee delivering the Exercise Notice to the Company; and
  - (ii) receipt by the Company of the total consideration equal to the respective Exercise Price of the Option; and
  - (iii) upon the satisfaction of the tax liability set out in clause 25.
- c) As soon as practicable on receipt of the Exercise Notice and receipt of the Exercise Price thereof, the Company Secretary of the Company shall make the necessary arrangement for allotment of Shares in lieu thereof. The Shares allotted shall rank *pari-passu* with all the existing Shares of the Company and any right attached to such Shares issued pursuant to the Exercise of any Option shall be with reference to a date subsequent to the date of allotment of the Shares.
- d) In case, the Grantee does not Exercise the Vested Options during the Exercise Period, they will lapse, be cancelled forthwith and no rights will accrue after that date.

### 14. Exercise Price

The Exercise Price for the Options granted shall be the Fair Market Value of the Shares on the Grant date.

14.1 The aggregate Exercise Price shall be paid in full upon the Exercise of the Vested Options.

14.2 Payment must be made by one of the methods specified herein below:

- i) Cheque or demand draft issued in the name of the Company; or
- ii) Remittance directly from the Employee's bank to the bank account of the



- Company/wire transfer; or
- iii) Any combination of such methods of payment or any other method acceptable to the Company at its sole discretion.

#### **15. Lock-in period sale of shares exercised under the Scheme**

The Shares allotted upon Exercise of Vested Options in accordance with the Scheme are not subject to any lock-in period and upon listing with the stock exchanges, they are freely tradable in the stock market.

#### **16. Variation of the terms of AL ESOP 2018**

The Nomination and Remuneration Committee may, subject to the approval of the Shareholders through a Special Resolution at any time and subject to compliance with the provisions of the SEBI SBEBS Regulations, 2015 or the Companies Act, 2013 or any other applicable law at any time at its discretion change the terms and conditions of this Scheme. However, such varied terms may not be detrimental to the interests of the Grantees or such Eligible Employees.

#### **17. Resignation or Termination of Employment**

- 17.1 If a Grantee's employment with the Company terminates for Cause, then the Options, to the extent not previously exercised, will lapse on the date of such termination of employment.

"Cause" shall include (i) engaging by a Grantee in wilful, reckless or grossly negligent misconduct which is determined by the Nomination and Remuneration Committee to be detrimental to the interest of the Company or any of its affiliates, monetarily or otherwise, or (ii) a Grantee pleading guilty to or conviction of a felony, or (iii) fraud, misfeasance, breach of trust or wrongful disclosure of any secret or confidential information about the Company by the Grantee to any third party, or (iv) employment of a Grantee in any other organisation or provision of services by a Grantee for any other organisation, or (v) any other reason which is determined by the Nomination and Remuneration Committee to be detrimental to the interest of the Company.

If a Grantee's employment with the Company is terminated due to voluntary resignation on the part of the Grantee, then all Options not vested in the Employee as on the date of termination shall lapse forthwith. The Vested Options can be exercised by an Employee prior to the expiry of Exercise Period or within 1 (one) year from the date of termination, whichever is earlier. If a Grantee's employment with the Company terminates due to completion of his/her employment contract, then all Options which are not vested at the time of such termination shall lapse forthwith. The Vested Options can be exercised by such Grantee prior to the expiry



of Exercise Period. For the purposes of this clause 17.2, employment shall be deemed to have terminated on the last day of such Grantee's employment with the Company.

However, resignation on account of leaving the Company for joining any of the group company of the Company will be regarded as employment transfers within the Company and will not be regarded as resignation or termination under this clause.

17.2 If a Grantee should die while in the employment of the Company, the Vested Options shall forthwith vest in his/her legal heirs or nominees; and if a Grantee should or suffer total and permanent disability while in the employment of the Company, the Vested Options shall forthwith vest in him/her legal heirs or designated nominees; and the Options must be exercised as below:

- a. in case of death, prior to expiry of the Exercise Period or within 1 (one) year from the date of death whichever is earlier, or such extended time provided by the Nomination and Remuneration Committee; and
- b. in case of total and permanent disability, prior to expiry of the Exercise Period or within 1 (one) year from the date of total and permanent disability whichever is earlier, or such extended time provided by the Nomination and Remuneration Committee.

17.3 In the event of a termination of employment for reasons other than those referred in clauses 17.1, 17.2 or 17.3, all Options which have not vested will lapse forthwith. The Vested Options can be exercised by the Employee prior to the expiry of Exercise Period or such extended period as determined by the Nomination and Remuneration Committee.

#### **18. Vesting and Exercise of Options in case of Employees on long leave / sabbatical / secondment**

18.1 The Committee in its sole discretion shall determine if long leave, sabbatical and secondment is for the benefit of the Company and shall accordingly decide on discontinuation / suspension / continuation / any other action with respect to vesting of unvested Options. Any Vested Options can be exercised by the Grantee before the expiry of Exercise Period. The long leave shall exclude earned leave, maternity leave and sick leave.

18.2 A Grantee on leave other than a sabbatical can Exercise his/her Option as per the terms of the Grant.



## **19. Non-Transferability**

- 19.1 Save as otherwise provided in this Scheme, each Option granted in accordance with the Scheme shall by its terms be non-transferable by the Grantee, and each Option shall be exercisable during the Grantee's lifetime only by the Grantee.
- 19.2 The Option granted to the Eligible Employee shall not be pledged, hypothecated, encumbered, mortgaged otherwise than by will or by the laws of descent, to the extent permitted under the applicable laws and any purported assignment, alienation, pledge, attachment, sale, transfer, or encumbrance not permitted herein shall be void and unenforceable against the Company

## **20. Corporate Actions**

- 20.1 In case of Corporate Actions, the Board/Committee in accordance with applicable Laws shall ensure while taking into consideration the global best practices in this area that adjustment to Exercise Price, Number of Options granted, accelerated vesting etc., shall be appropriately made/ settled in cash without prejudice to the interest of the Employee. The decision of the Board on whether such action is necessary and the extent of such action by the Board shall be final and binding

## **21. Changes in Capital**

- 21.1 Save as otherwise provided in Clause 20.1 of this Scheme the existence of the Scheme and Grant shall not affect, in any way, the right or power of the Board or the shareholders of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, or any merger, amalgamation or demerger of the Company or its or Subsidiary, any issue of debt, preferred or preference stock, the authorization or issuance of additional Shares to existing or non-existing shareholders of the Company, the dissolution or liquidation of the Company or its Subsidiaries, any sale or transfer of all or part of its assets or business or any other corporate act or proceeding.
- 21.2 (i) Upon changes in the outstanding Shares by reason of a stock dividend, stock split, reverse stock split, sub-division, recapitalization, reclassification, merger, consolidation (whether or not the Company is a surviving corporation), combination or exchange of Shares, separation, or reorganization, or in the event of an extraordinary dividend, "spin-off", liquidation, other substantial distribution of assets of the Company or acquisition of property or stock or other change in the capital of the Company, or the issuance by the Company of Shares without receipt of full consideration thereof, or rights or securities exercisable, convertible or exchangeable for Shares of such capital stock, or any similar change affecting the Company's capital structure, the aggregate number, class and kind of Shares available under the Scheme pursuant to which Options may be granted and the number, class and kind of Shares under each outstanding Option and the Exercise Price



per Share applicable to any such Option shall be appropriately adjusted by the Board along with such approvals as may be necessary to preserve the benefits or potential benefits intended to be made available under the Scheme or with respect to any outstanding Options or otherwise necessary to reflect any such change, in a manner that the Board and / or the Nomination and Remuneration Committee deems fit.

(ii) Fractional Shares resulting from any adjustment in Options pursuant to clause 18(b)(i) shall be aggregated until, and eliminated at, the time of Exercise of the affected Options. Notice of any adjustment shall be given by the Nomination and Remuneration Committee to each participant whose Options have been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all the purposes of the Scheme.

## **22. Change in Control**

In the event of stock sale, merger, consolidation, combination, reorganisation liquidation or dissolution of the Company or the sale or other disposition of all or substantially all of the assets or business of the Company, in connection with any Eligible Employee benefit Scheme of the Company, or a Subsidiary, the Board may take such steps, as it deems fit in its discretion, and on such terms and conditions as it deems appropriate. No Grantee shall have any right to prevent the consummation of any of the foregoing acts affecting the number of Shares available to such Grantee. Notwithstanding the foregoing adjustments, in no event may any Option be exercised after ten years from the date it was originally granted.

## **23. Rights as a Shareholder**

The Grantee shall have no rights as a shareholder of the Company with respect to the Options granted until such time as the Options have been Exercised, Exercise Price relating to such Option has been paid and the Shares have been allotted and delivered to him/her.

In the event that a Participant who has been granted Options under this Plan and Notified Scheme(s) is transferred or deputed to any Subsidiary Company as defined under the Companies Act, 2013 prior to Vesting or Exercise, the Vesting and/or Exercise as per the terms of Grant shall continue in case of such transferred or deputed Participant even after the transfer or deputation.





## **24. No Right as a Shareholder**

The grantee shall have no right as a shareholder of the Company with respect to the shares granted to him until such times as Exercise Price relating to such options has been paid and shares have been issued and allotted to him or her.

## **25. No Right of Employment**

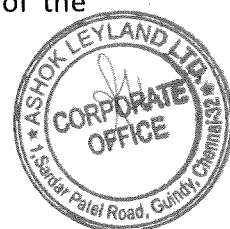
The Grant of Options in accordance with this Scheme does not create a right to continued employment with the Company, or its Subsidiaries. Nothing in this Scheme or Grant shall interfere with or limit in any way the right of the Company, its Subsidiary to terminate the employment of the Grantee at any time.

## **26. Tax Liability**

- 26.1 In the event of any tax liability, including any tax liability arising on account of change in the tax laws relating to AL ESOP 2018, arising on account of the Grant of Options and /or allotment of the Shares to a Grantee, the liability shall be that of the Grantee alone and the Company shall be indemnified to the extent of applicable taxes, if any, levied at any point of time upon the Company in this regards.
- 26.2 No Shares shall be issued to the Grantee or beneficiary, on Exercise of the Options under this Scheme unless appropriate taxes as required under the applicable tax laws, are discharged. Such taxes may either be deducted from the Grantee's salary and / or can be separately discharged by the Grantee by giving a cheque / demand draft to the Company for the said amount and the Company or Committee, accordingly, may withhold such taxes and/ or levy and/ or contribution and/ or payment in full unless Committee decides to withhold in part
- 26.3 The Company shall have the right to deduct from the salary, for any obligation towards tax deduction arising in connection with the Option or the Shares acquired upon the Exercise thereof.
- 26.4 The Company shall have no obligation to deliver Shares or to release Shares in pursuance of the Option until the Company's tax deducting obligations, if any, have been satisfied by the Grantee.
- 26.5 All tax liabilities arising on disposal of the Shares after Exercise would be handled by the Grantee.

## **27. Notices**

All notices under the Scheme, including the Exercise Notice, shall be in writing, and if to the Company, shall be delivered to the principal office addressed to the attention of the



Company Secretary and if to the Eligible Employee shall be delivered personally or mailed to the Eligible Employee at the address appearing in the payroll records of the Company. Such address may be changed at any time by a written notice to the other party.

## **28. Termination of the Scheme**

28.1 The Scheme shall terminate upon the earliest to occur of the following:

- a) The effective date of a resolution adopted by the Nomination and Remuneration Committee terminating the Scheme;
- b) The date all Shares subject to the Scheme are allotted and delivered pursuant to the Scheme's provisions; or
- c) 10 years from the, date the Scheme is approved by the Company's shareholders.

28.2 No Options may be granted under the Scheme after the earliest to occur of the events or dates described in the foregoing paragraphs (a) through (c) of this Section but Options granted heretofore shall continue in force beyond that date pursuant to these terms.

28.3 No such termination of the Scheme shall affect the previously accrued rights of any Grantee hereunder and all Options previously granted hereunder shall continue in force and in operation after the termination of the Scheme, except as they may be otherwise terminated in accordance with the terms of the Scheme or the Grant.

## **29. Confidentiality**

The Grantee specifically confirms and covenants to the Company that he is aware that the information regarding his/ her ESOP entitlements to this Grant is strictly confidential and that the Grantee cannot reveal/share the information with any of his/her peers, colleagues, co-employees or with any employee and/ or associate of the Company or its Subsidiaries or any other company of the Group. In case Grantee is found in breach of this confidentiality undertaking, the Company has an undisputed right to forfeit the Options granted and all vested and unvested Options shall stand cancelled immediately. The decision and judgment of the Company regarding breach of this Confidentiality Undertaking shall be final and binding upon the Grantee.

## **30. Other Terms**

Options granted pursuant to the Scheme shall contain such other terms, provisions and conditions (which need not be identical) not inconsistent herewith as shall be determined by the Nomination and Remuneration Committee.



Notwithstanding anything to the contrary contained herein or in any Award Agreement, the Company shall not be required to issue Shares if the issuance violates any provision of any law or regulation of any government authority or SEBI or a stock exchange.

Participation in this Scheme shall not be construed as a guarantee of return on the Shares purchased from the Options and all shares acquired by them through the Scheme is subject to all market risks to which all shares in the capital of the Company are exposed and any loss due to fluctuations in the market price of the equity are that of the Grantee alone.

FOR ASHOK LEYLAND LIMITED



N. RAMANATHAN  
Company Secretary