

**CITY UNION BANK EMPLOYEES STOCK OPTION SCHEME - 2017**

**INTRODUCTION:**

The Bank recognizes that in an increasingly competitive environment, rewarding its performing employees is critically imperative to continued success. The Stock Options are recognized as an effective tool to attract, reward, retain and motivate the employees and create a sense of ownership among employees, provide an opportunity to employees to share in the growth of the Bank, create long term wealth in the hands of the employees and also provide performance linked rewards to the employees. In this regard the management of the Bank is keen to offer further stock options to eligible employees and Directors as applicable.

In furtherance to the above objectives the Shareholders of the Bank approved Employees Stock Option Scheme under the name and style of "**CUB Employees Stock Option Scheme 2017 or CUB ESOS- 2017**" vide special resolution in the Annual General Meeting held on 23.08.2017.

**DURATION OF THE SCHEME**

The City Union Bank Employees Stock Option Scheme 2017 shall come into force on the 23<sup>rd</sup> August, 2017 and is effective from this date and shall continue to be in force until (i) its termination by the Board or (ii) the date on which all the options available for issuance under scheme have been issued and exercised, whichever is earlier.

**DEFINITIONS:**

- a) "Applicable Laws" means the relevant laws in force for the time being (and as amended from time to time) which govern companies and securities and those which regulate the stock option Scheme of the companies, but without limitation shall particularly include the SEBI (Share Based Employee Benefit) Regulations, 2014, the Income Tax Act, 1961 and Guidelines/ notifications/ circulars issued there under, Companies Act, 2013, Foreign Exchange Management Act, 1999, any stock exchange regulations including the Listing Agreements with stock exchanges and such other guidelines which may be stipulated by Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Government of India, and / or any other appropriate authority. Any term or requirement under the Guidelines not incorporated herein shall be deemed to have been included herein and be applicable and binding on the Bank, the eligible employees and the option holders.
- b) "Bank" shall mean City Union Bank Limited
- c) "Board" means the Board of Directors of the Bank.

- d) "Companies Act" means the Companies Act, 2013 of India or any statutory modification or re-enactment thereof.
- e) Compensation & Remuneration Committee means a Committee" of the Board of Directors of the Bank constituted by the Board in accordance with the applicable regulations / laws.
- f) "Compliance Officer" shall be the Company Secretary of the Bank for the purpose of this scheme.
- g) "Date of Grant" is the date fixed by the Compensation and Remuneration Committee to be the date, specified in the Letter of Grant (either physical letter or any online software specified for the purpose of exercise of options referred hereto), in which CUB ESOS – 2017 is extended to the employee.
- h) "Date of Vesting" shall mean the date on which the employee is offered a right to exercise his / her stock options against the options granted to the employee under this Scheme.
- i) "Director" means Whole Time Director of the Bank.
- j) "Employee" means all employees, as defined under the SBEB Regulations, 2014, of the Bank as applicable, will be entitled to participate in the scheme, subject to fulfillment of eligibility criteria(s) as may be specified in the SBEB Regulations, 2014 and / or as may be determined by the Compensation and Remuneration Committee of the Bank from time to time.
- k) "Employee Stock Option" means the option given to the Employees of the Bank the right to purchase or subscribe at a future date, the securities offered by the Bank at a predetermined price.
- l) "Exercise" means making of an application (either online / offline as may be decided by the Compliance Officer from time to time) by the employee to the Bank for issue/allotment of shares against option vested in him/her in pursuance of CUB ESOS - 2017.
- m) "Exercise Period" means period under each series will commence from the vesting date and extend upto seven (7) years from the date of initial vesting of options for a series and three (3) yrs from the actual vesting date for each tranche under such series.
- n) "Exercise Price" means such price, in such manner, during such period, in one or more Series and on such terms and conditions as the Board/ Compensation & Remuneration committee may decide, provided that the Exercise Price per option shall not be less than the par value of the equity share of the Bank and shall not be more than the market price as defined in the Guidelines.

- o) "Grant" means issue of stock option(s) to employees under this Scheme.
- p) "Option Grantee" means an employee having right but not an obligation to exercise in pursuance of the CUB ESOS - 2017.
- q) "Intrinsic Value" means the excess of the market price of the share under the Scheme over the exercise price of the option (including up-front payment, if any).
- r) "Market Price" means the latest available closing price on the Stock Exchange (National Stock Exchange of India Ltd., / BSE Ltd., or any other Stock Exchanges where the Shares of the Bank may be listed in future) prior to the date of the meeting of the Board / Compensation and Remuneration Committee in which options are granted, with highest trading volume of Bank's shares on such date.
- s) "Permanent incapacity" means any disability of whatsoever nature be it physical, mental or otherwise, which permanently incapacities or prevents or handicaps an employee from performing any specific job, work or task which the said employee was capable of performing immediately before such disablement, as determined by the Compensation and Remuneration Committee based on a certificate of a medical expert of reputed standing.
- t) "Shares" mean equity shares of the Bank
- u) "Scheme" means CUB ESOS 2017
- v) "Vesting" means the process by which the employee is given the right of offer to apply for shares of the Bank against the option granted to him/her in pursuance of – the Scheme.
- w) "Vesting Period" means the period during which the vesting of the option(s) granted to the employee in pursuance of this scheme takes place.

## **DETAILS OF THE SCHEME:**

### **GRANT OF OPTIONS & GRANTING PROCEDURE**

1. Total number of options to be granted under the scheme shall not exceed 3,00,00,000 (three crore).
2. Options under CUB ESOS - 2017, will be offered online / offline through a Letter of Grant containing, among other things, the following details:
  - a. No of options being offered;
  - b. Exercise price;
  - c. Vesting Period and
  - d. Exercise period

3. One option entitles the option grantee to apply for one equity share of the Bank.
4. While granting options, the Bank shall make sufficient disclosures to the employees as specified SEBI (Share Based Employee Benefits) Regulations 2014 'SEBI SBEB'.

### **ELIGIBLE EMPLOYEE**

5. Employees would be granted stock options based on formal performance appraisal system established wherein the performance of the employees is assessed each year on the basis of various functional and managerial parameters. The appraisal process is revised at regular intervals as per emerging global standard. Employees would be granted stock options based on performance linked parameters such as value creation, leadership, work performance, technical knowledge, period of service, designation and such other parameters as may be decided by the Board / Compensation and Remuneration Committee from time to time.
6. The maximum number of options per employee shall be decided by the Board / Compensation & Remuneration Committee, which shall not be equal to or exceed in any year 1% of the issued equity capital of the Bank at the time of grant of options.

### **VESTING OF OPTIONS:**

7. There shall be minimum vesting period of one year between the grant of options and vesting of options and the options shall vest in the following manner;

<b>Vesting Period</b>	<b>Vesting in %</b>	<b>Details</b>
At end of one year from the date of grant	15%	of the option
At end of 2 <sup>nd</sup> year from the date of grant	15%	of the option
At end of 3 <sup>rd</sup> year from the date of grant	15%	of the option
At end of 4 <sup>th</sup> year from the date of grant	25%	of the option
At end of 5 <sup>th</sup> year from the date of grant	30%	of the option

### **EXERCISE PRICE OF OPTIONS:**

8. The exercise price shall be the closing market price as quoted on the stock exchange wherein the shares of the Bank are listed, prior to the date of Board / Compensation and Remuneration Committee meeting wherein grant of stock options under the scheme will be considered.

## **EXERCISE OF OPTIONS:**

9. The exercise period will commence from the vesting date and shall expire at the end of 3 years from the date of vesting.
10. The option grantee may exercise at his/her discretion all vested options at one time or at various intervals of time within the expiry of exercise period.
11. The options shall be exercisable by the employees through an online process / any other means as may be decided and communicated by the compliance officer from time to time.
12. Except under special circumstances proved to the satisfaction of the Board / Compensation and Remuneration Committee, the options shall lapse if not exercised within the expiry of exercise period specified above.
13. The lapsed options shall be disposed in a manner as may be decided by the Board / Compensation and Remuneration Committee from time to time.

## **TERMINATION OF RELATIONSHIP AS AN EMPLOYEE:**

14. In the event of death of employee while in employment, all the options granted to such employee till such date whether vested or not, shall vest with the Nominee registered with the Bank for ESOP, if available, or the legal heirs of the deceased employee and the same may be exercised within the last date of the exercise period of such grant, by such nominee(s) or by the legal heirs.
15. In case the employee suffers from a permanent incapacity while in employment, all the options granted to him/her whether vested or not as on the date of permanent incapacitation, shall vest in him/her on that day and the same may be exercised either by such employee or his dependants (father or mother or spouse) or legal heirs within the prescribed exercise period under the Scheme.
16. In case of superannuation of an Employee, all the options which are granted to the employee up to the date of superannuation, shall vest on the date of the superannuation, and the employee shall exercise such options before the expiry of 12 months from the date of superannuation or the expiry of exercise period for such options, whichever is earlier. If the employee superannuates during the vesting period of 12 months between the date of grant and vesting, such employee shall be eligible to exercise such granted options during the actual vesting of such granted options however within a period of one year from the date of his/ her superannuation.
17. In the event of resignation of the employee, all options not vested as at the date of such resignation (date of serving notice to HRMD of resignation) shall lapse and the employee shall exercise his/her vested options only, before the expiry of 3 months from the aforesaid date or the expiry of exercise period for such options, whichever

is earlier. Provided that, if such notice of resignation is revoked by HRMD and accepted by the employee, the said options shall be exercisable by the employee under normal circumstances as if no notice has been served.

18. During the period of suspension of an employee, employees under adverse notice of Human Resource, Vigilance or any other wing of the Bank and/ or during the pendency of any domestic enquiry/litigation before the courts or tribunals for any cause, all options vested but not exercised and options not vested shall stand suspended. In case the employee is not found guilty or the punishment awarded is only censor / warning, all vested and unvested options having validity period shall revert back to the employee. If the employee is found guilty and a punishment other than censor / warning is awarded all such options shall stand lapsed.
19. All options vested but not exercised and unvested options shall remain suspended during the pendency of an unauthorized absence of an employee. In case of absence without sanction of leave exceeds a continuous period of one year all such vested and unvested options shall stand lapsed.
20. In case an employee goes on leave for over 60 (sixty) calendar days during the vesting period, then the Compensation and Remuneration Committee reserves the right to extend the vesting period by a period not exceeding the leave period.

#### **NON-TRANSFERABILITY OF OPTIONS:**

21. Option granted to an employee shall not be transferable to any person.
22. No person other than the employee to whom the option is granted, subject to clause 14 & 15 of this Scheme, shall be entitled to exercise the option.
23. The option granted to an employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

#### **VALUATION METHOD:**

24. The Bank shall calculate the employee compensation cost using intrinsic value of the stock options and shall make disclosures in the Director's Report as required by SEBI (SBEB) Regulations, 2014.

#### **TERMS AND CONDITIONS OF THE SHARES:**

25. The employee shall not have right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of option granted to him, till shares are issued and allotted to an employee on exercise of option.
26. There shall be no lock in period for the shares issued /allotted pursuant to exercise of options.

27. The shares issued under the scheme shall rank *pari-passu* with existing shares issued by the Bank.
28. The Bank shall take steps to list the shares issued under the scheme in all stock exchanges, where the shares of the Bank are already listed.
29. The Board / Compensation and Remuneration Committee shall make a fair and reasonable adjustment to the number of options and to the exercise price in case of corporate actions such as rights issue, bonus issue, merger, sale of division and others. In this regard following shall be taken into consideration by the Compensation and Remuneration Committee.
- (a) The number and the price of ESOS shall be adjusted in a manner such that total value of the ESOS remains the same after the corporate action.
  - (b) for this purpose global best practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered.
  - (c) 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.

#### **AMENDMENT AND TERMINATION OF THE SCHEME:**

##### 30. Amendment and termination of the ESOS Scheme

- a. The Board / Compensation and Remuneration Committee may at any time vary, modify, withdraw, suspend, review, or terminate the Scheme, to an extent, subject to and after compliance with requirements of applicable laws, provided that the Bank shall not vary the terms of Scheme in any manner which may be detrimental to the interests of the employees;
- b. The Bank may re-price, with approvals of shareholders in General Meeting, the options which are not exercised, whether or not they have been vested, if ESOSs were rendered unattractive due to fall in the price of the shares in the market, provided that the re-pricing is not detrimental to the interest of employees.

#### **GENERAL:**

31. The employee shall ensure complete confidentiality in respect of all documents and matters and discussions related to the scheme. Any violation will be treated as a misconduct necessitating domestic enquiry against the employee.
32. The Bank shall have the right to deduct and / or recover from the employee any / or all taxes payable directly or indirectly by the Bank relating to or in connection with all grants.
33. The existence of the scheme 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 Bank to make or authorize any change in capital structure; including any issue of

shares, debt or other securities having any priority or preference with respect to the shares or the rights thereof.

34. The Bank shall adhere to following Regulations issued by regulators and policies of the Bank to the effect that there is no violation of;

- (i) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
- (ii) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trading Practice relating to the Securities market) Regulations, 1995 by any employee.
- (iii) City Union Bank Internal Code of Conduct for Insider Trading.

35. Nothing contained in the scheme shall be construed to prevent the Bank from taking any corporate action which is deemed by the Bank to be appropriate or in its best interest, whether or not such action would have an adverse effect on the scheme or any grant made under the scheme. No employee or other person shall have any claim against the Bank as a result of such action.

36. Participation in this Scheme shall not be construed as any assurance of any form whatsoever including any guarantee of return on the equity investment. Any risks associated with the investment are that of the eligible employee alone.

37. This Scheme shall be subject to all applicable laws, rules, regulations, notifications and to such permissions, sanctions and approvals by any governmental agencies or shareholders, as may be required. In case of any contradiction between the provisions of this Scheme and any applicable laws, rules, regulations etc, the provisions of law shall override the provisions of this Scheme. The Grant of Options under this Scheme shall entitle the Bank to require the eligible employee to comply with such requirements of law as may be necessary in the opinion of the Bank.

38. If the exercise of options within the exercise period, is prevented by any law or regulation in force, defer or not to permit the exercise of options till such time as it is prohibited by the applicable laws or regulations and in such an event of the Bank shall not be liable to pay any compensation or similar payment to the employee for any loss suffered due to such refusal.

39. In the event of any issue pertaining to interpretation of this scheme, applicability / allotment of ESOPs to any employee(s), the decisions of the Board / Compensation and Remuneration Committee shall be final and binding.

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