

# ***Five-Star Associate Stock Option Scheme, 2018***

***(ASOP 2018)***

***FIVE-STAR BUSINESS FINANCE LIMITED***

***(formerly known as Five Star Business Credits Limited)***

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## **Five-Star Associate Stock Option Scheme, 2018 (ASOP 2018)**

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## 1. INTRODUCTION

- 1.1 One of the prime objectives of **Five-Star Business Finance Limited** [“**Five Star**” or “**Company**”] has always been to create high performance communities that create significant value for all stakeholders.
- 1.2 The objective of this Five-Star Associate Stock Option Scheme, 2018 (ASOP 2018) is to attract, retain, encourage and reward the associates, who are the drivers of Company’s growth. The ASOP 2018 is intended to reward the associates for their performance, commitment and support for the growth of Five Star and to provide an incentive to continue contributing to the success of the Company. It is envisaged that the ASOP 2018 will enable Five Star to attract and retain the best available talent by making them partners in business and its growth.
- 1.3 This document sets out the features of the ASOP 2018, the benefits accruing to associates under this Scheme, the duties and responsibilities of the beneficiaries as also the procedures to be followed. The document shall serve as a reference for the administration of ASOP 2018. This document should be carefully read and understood and the procedures prescribed diligently observed for availing the benefits under ASOP 2018.
- 1.4 This ASOP 2018 comes into effect from 26<sup>th</sup> March, 2018. This Scheme was approved by the Board of Directors at its meeting held on the 28<sup>th</sup> February 2018. Further to the approval by the Board of directors, the Scheme was placed before the shareholders for their approval at the Extraordinary General Meeting held on the 26<sup>th</sup> March 2018, when it was duly approved.
- 1.5 The tenure of the Scheme shall be a maximum of 5 years from the date of the Scheme coming into force, or till such time the Options granted under the Scheme have been either exercised or have lapsed, as the board of directors may decide from time to time. Further, the Board of Directors shall have the power to pre close the Scheme at it may deem fit.

## 2. DEFINITIONS

### I. DEFINITIONS:

In this scheme document the following expressions including their grammatical variations and cognate expressions shall unless, repugnant to the context or meaning thereof, have the meaning assigned to them respectively as hereunder:

- 2.1 “**Applicable Laws**” includes laws, statute, rule, regulation, guideline, circular or notification relating to employee stock options, including, without limitation to, the Companies Act, 2013, read with the Companies (Share Capital and Debenture Rules), 2014, the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and includes any statutory modifications or re-enactments thereof, and all relevant tax, securities, exchange control corporate laws of India including any enactment, re- enactment, amendment, modification or alteration thereof.
- 2.2 “**Associate / Associates**” means:

- (a) Until the Listing of the Company:
- (i) any person(s) employed on a permanent basis by “Five Star” in India or outside India;
  - (ii) a director of the company, whether a whole time director or not but excluding an Independent Director; or
  - (iii) an Associate as defined in clauses (i) or (ii) of a subsidiary, in India or outside India, or of a Holding Company of the Company;

but does not include:

- A. an Associate who is a Promoter or belongs to the Promoter Group;
- B. a director who either by himself or through his relative or through any body-corporate, directly or indirectly holds more than 10% (ten percent) of the outstanding equity shares of the Company.

- (b) Post the Listing of the Company:

- (i) an Associate as designated by the Company, who is exclusively working in India or outside India; or
- (ii) a director of the Company, whether a whole time director or not, including a non-executive director who is not a Promoter or member of the Promoter Group, but excluding an Independent Director; or
- (iii) an Associate as defined in sub-clauses (i) or (ii) above, of a company belonging to the same Group as the Company including Subsidiary or its associate company, in India or outside India, or of a Holding Company of the Company,

but does not include:

- A. an Associate who is a Promoter or belongs to the Promoter Group;
- B. a director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% (ten percent) of the outstanding equity shares of the Company.

2.3 **“ASOP 2018” or “the Scheme”** means the Five-Star Associate Stock Option Scheme, 2018 of “Five Star” as set out hereunder and shall include any alterations, amendments, modifications, or variations made thereto from time to time.

2.4 **“ASOP Shares”** means shares arising out of exercise of Options granted under ASOP 2018.

- 2.5 **“Company” or “Five Star”** means Five-Star Business Finance Limited (formerly known as Five Star Business Credits Limited) incorporated in India under The Companies Act 1956, having its registered office at New No 27, Old No 4, Taylor’s Road, Kilpauk, Chennai - 600 010 and shall include its successors-in- interest and assigns.
- 2.6 **“Exercise”** means making of an application by the Associate to the Company for issue of Shares against Options vested in pursuance of the ASOP 2018, in the prescribed manner, along with Exercise Price and applicable taxes.
- 2.7 **“Exercise Period”** means the time period after Vesting within which the Associate may Exercise right to apply for Shares against the Options vested in pursuance of the ASOP 2018.
- 2.8 **“Exercise Price”** means the price payable by Associates for exercising the Option granted in pursuance of ASOP 2018.
- 2.9 **“Grant”** means issue of the Options to Associates under the ASOP 2018.
- 2.10 **“Grant Date” or “Date of Grant”** means the date fixed by the Nomination and Remuneration Committee or Board of Directors to be the date on which the Options under ASOP 2018 are granted to an Associate. The date would be specified in the Grant letter issued to the Associate.
- 2.11 **“Group”**, shall mean two or more companies which, directly or indirectly, are in a position to—
- (a) exercise twenty-six per cent. or more of the voting rights in the other company; or
  - (b) appoint more than fifty per cent. of the members of the Board of Directors in the other company; or
  - (c) control the management or affairs of the other company.
- 2.12 **“Holding Company”** shall mean a holding company as defined under Section 2(46) of the Companies Act, 2013, and as amended from time to time
- 2.13 **“Independent Director”** means a director of the company, not being a whole-time director and who is neither a Promoter nor belongs to the Promoter Group of the company and who satisfies other criteria for independence as per Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2018 and as per the provisions of the Companies Act, 2013 and any notifications or clarifications issued there under from time to time.
- 2.14 **“Listing”** means listing of the Share on any recognized Stock Exchange and includes initial public offering of Shares preceding the listing of Shares.
- 2.15 **“Nominee” or “Nominees”** means any person nominated by an Associate under ASOP 2018.

- 2.16 **“Option”** or **“ASSOCIATE STOCK OPTION”** means the benefit or right but not an obligation to subscribe for, at a future date, the Shares offered by the Company, directly or indirectly, at a predetermined price.
- 2.17 **“Option Grantee”** or **“Grantee”** means an Associate to whom Options have been granted under ASOP 2018.
- 2.18 **“Person employed on Permanent basis”** means the Associates who are employed on a permanent basis and on the payroll of the Company or its Subsidiary.
- 2.19 **“Promoter ”** shall have the same meaning assigned to it under the SEBI ICDR Regulations.
- 2.20 **“Promoter Group”** shall have the same meaning assigned to it under the SEBI ICDR Regulations.
- 2.21 **“Nomination and Remuneration Committee”** or **“the Committee”** means the Committee constituted by the Board of Directors of the Company from time to time under Section 178 or any other relevant provisions of the Companies Act 2013 or under Regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2018.
- 2.22 **“SEBI ICDR Regulations”** means Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, and includes all amendments, circulars, notifications and clarifications issued there under and as amended from time to time
- 2.23 **“SEBI SBEB & SE Regulations”** shall mean the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended.
- 2.24 **“Share”** means equity shares of the Company and securities convertible into equity shares.
- 2.25 **“Subsidiary Company”** means the subsidiary company as defined in Section 2 (87) of the Companies Act, 2013.
- 2.26 **“Vesting”** means the process by which the Associate secures the right to apply for Shares of the Company against the Options granted in pursuance of ASOP 2018.
- 2.27 **“Vesting period”** means the period during which the Vesting of the Option granted to the Associate in pursuance of ASOP 2018 takes place. i.e the period elapsed between the Date of Grant and the date of Vesting of the Options granted to Associates.

Unless the context otherwise requires, words employed in the masculine gender shall include the feminine also and words employed in the singular shall include the plural.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Companies Act 2013 or the Companies (Share Capital and Debentures) Rules, 2014 or the Securities Contracts (Regulation) Act,

1956, SEBI SBEB & SE Regulations or other applicable regulations or any statutory modification or re-enactment thereof, as the case may be.

**II. ARTICLE HEADINGS:**

Article headings are for information only and shall not affect the construction of this document.

**III. REFERENCES:**

- A. A reference to a Clause or Schedule is respectively a reference to a Clause or Schedule of this document. The Schedules to this document shall for all purposes form part of this document.
- B. Reference to any Act, Rules, Statute or Notification shall include any statutory modification, substitution or re-enactment thereof.

**3. NOMINATION AND REMUNERATION COMMITTEE**

3.1 The Nomination and Remuneration Committee may from time to time:

- (a) the quantum of Options per employee and in aggregate under the Scheme;
- (b) the conditions under which Options may vest in Associate and may lapse in case of termination of employment for misconduct;
- (c) the Exercise Period within which the Associate can Exercise the Options or and that Options would lapse on failure to Exercise the same within the Exercise Period;
- (d) the specified time period within which the Associate shall Exercise the vested Options in the event of termination or resignation;
- (e) the right of an Associate to Exercise all the Options, as the case may be, vested in him at one time or at various points of time within the Exercise Period;
- (f) the procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of Options and to the Exercise Price in case of corporate actions such as rights issues, bonus issues, merger, sale of division and others. In this regard, the following shall, inter alia, be taken into consideration by the committee:
  - (i) the number and price of Options shall be adjusted in a manner such that total value to the Associate of the Options remains the same after the corporate action;
  - (ii) the Vesting period and the life of the Options shall be left unaltered as far as possible to protect the rights of the Associate who is granted such Options;

- (g) the Grant, Vesting and Exercise of Options in case of Associate who are on long leave;
  - (h) the procedure for funding the Exercise of Options; and
  - (i) constitute an ASOP Selection Committee.
  - (j) the procedure for buy-back of specified securities issued under these regulations, if to be undertaken at any time by the Company, and the applicable terms and conditions, including:
    - (i) permissible sources of financing for buy-back;
    - (ii) any minimum financial thresholds to be maintained by the Company as per its last financial statements; and
    - (iii) limits upon quantum of specified securities that the Company may buy-back in a financial year.
  - (k) frame suitable policies, procedures and systems to ensure that there is no violation of Applicable Laws and regulations, by any Associate.
  - (l) carry out such other terms of reference as may be laid down by the Board of Directors.
- 3.2 In case of any disputes relating to the interpretation of the terms and conditions of the Scheme, the decision of the Nomination and Remuneration Committee shall be final and binding on the Associates.
- 3.3 Post Listing, the Committee shall frame suitable policies and procedures to ensure that there is no violation of any securities laws including Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2018 and the Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices Relating To Securities Market) Regulations, 2003 or any statutory modification or re-enactment of these regulations by the Company or any of its Employees, as applicable.
- 3.4 No member of the Nomination and Remuneration Committee shall be personally liable for any decision or action taken in good faith with respect to administration of the Scheme.
- 4. QUANTUM OF OPTIONS**
- 4.1 The total number of Options granted under ASOP 2018 shall not exceed 5,00,000 (Five lakhs only) or such number as may be required on account of any corporate action, with each of such Option conferring a right upon the Associate to apply for one equity Share of the Company, in accordance with the terms and conditions of such issue.
- 4.2 The Options which are surrendered, cancelled or forfeited are eligible to be reissued as fresh grants as per the provisions of this scheme.



## **5. ASOP SELECTION COMMITTEE**

An ASOP Selection Committee may be constituted by the Nomination and Remuneration Committee, if necessary, to enable it to identify the Associates eligible to participate in this ASOP 2018, to fix the targets, goals, events and other parameters based on which the Options granted shall vest and to help in quantifying the Options to be granted to Associates.

## **6. GRANT PROCEDURE AND ACCEPTANCE**

6.1 The Nomination and Remuneration Committee shall have the power to Grant the Options under the ASOP 2018 to the identified Associates.

6.2 Nomination and Remuneration Committee will issue a letter of grant containing, inter alia, the following details:

- Name of the Associate;
- No. of Options granted;
- Date of Grant;
- Exercise Price;
- Vesting conditions & Vesting schedule;
- Exercise Period;
- Additional Vesting condition, if any;
- Targets/Goals/other parameters if any applicable for Vesting
- Disclosures as required under the Applicable Laws.

6.3 The maximum number of Options granted to any one Associate over the life of the Scheme shall not be more than 1% (one percent) of the issued equity share capital of the Company at the time of Grant of the Option. Prior approval of shareholders by way of special resolution in the general meeting shall be obtained in case the Grant of Options to any Associate is equal to or exceeding 1% (one percent) of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of Grant of Option.

6.4 No upfront payment shall be made by Associates at the time of Grant of Options and the Exercise Price is payable at the time of Exercise of Option by those Associates.

## **7. VESTING PERIOD AND CONDITIONS**

7.1 Vesting, requirements of Vesting and maximum period of Vesting:

Options granted may be vested based on

- (i) Attaining goals and / or

- (ii) Achieving Targets and / or
- (iii) Occurrence of an Event and / or
- (iv) Other parameters

as may be determined by the Nomination & Remuneration Committee from time to time.

The targets or goals or events or other parameters as may be fixed by the Nomination and Remuneration committee may either be for the individual or for the team or for the organization as a whole and /or financial or event achievements.

The Options shall vest not less than one year from the Date of Grant or not later than 5 years from the Date of Grant. However, in case of death or permanent incapacity, the minimum Vesting period of 1 (one) year shall not apply after the Listing of the Company.

The continuation of the Option Grantee in the service of the Company or its Subsidiary Company shall be a primary requirement of the Vesting prior to the Listing of the Company. However, the Options can be granted to an Associate working with an associate company, or continue to vest in case of transfer to an Associate company after the Listing of the Company.

The Nomination and Remuneration Committee shall communicate the requirements of Vesting, Vesting schedule and other terms through Grant letter at the time of Grant.

- 7.2 In case the Option Grantee goes on a continuous unpaid leave of 30 days or more during the Vesting period, the Vesting period will be automatically extended by such period of leave in excess of 30 days. The Nomination and Remuneration Committee may prescribe further terms and conditions for the Vesting of such Options considering the contribution of such Option Grantees for the performance. The Nomination and Remuneration Committee shall have the right to exempt any Option Grantee from the operations of the provisions of this clause. In cases where the Vesting is based on performance or attainment of targets or goals or other parameters or happening of an event, the Nomination and Remuneration Committee shall make suitable changes in Vesting period or in Vesting conditions in the event of Option Grantee going on a continuous unpaid leave of 30 days or more.

## **8. LOCK-IN PERIOD AND METHOD OF VALUATION**

- 8.1 The ASOP Shares issued pursuant to the Exercise of the Options shall not be subject to any lock in period. However the Option Grantee shall comply with such regulations as may be prescribed under laws for the time being in force.
- 8.2 The Company shall follow the intrinsic method for valuations of Options unless otherwise required by the Accounting Standards followed by the Company.

## **9. EXERCISE PRICE, EXERCISE PERIOD & PROCEDURES**

- 9.1 The Exercise Price per Option shall be such price not being less than the face value, as may be determined by the Nomination & Remuneration Committee. Provided that the Exercise Price shall be in compliance with the accounting standards specified under the SEBI SBEB & SE Regulations, including any 'Guidance Note on Accounting for employee share-based Payments' issued in that regard from time to time.
- 9.2 The Option Grantees can Exercise rights to convert the Options into ASOP Shares either in full or in tranches by addressing a communication to the Nomination and Remuneration Committee in the form that may be prescribed by the Nomination and Remuneration Committee from time to time. The Option Grantee, shall, at the time of Exercise of Options send the prescribed form mentioning the number of Options that he is willing to Exercise, PAN and other details as may be required, together with payment for an amount equal to the aggregate Exercise Price and tax payable in respect of the Options exercised.
- 9.3 The Exercise Period shall commence from the date of Vesting and expire not later than 60 (Sixty) calendar months from the relevant Vesting date.
- 9.4 Options vested and not exercised by the Option Grantees before the Exercise Period of the said Options, shall lapse.
- 9.5 Notwithstanding anything contained elsewhere in the Scheme, the Nomination and Remuneration Committee may:
- (i) if the Exercise of Options within the Exercise Period, is prevented by any law / regulation in force or order of any jurisdictional court, defer or not permit the Exercise of Options till such time as it is prohibited by the Applicable Laws or regulations and in such an event the Company shall not be liable to pay any compensation or other payment to the Option Grantee for any loss suffered due to such prohibitions and the Exercise Period shall stand extended by such period.
  - (ii) provided further, that the Committee shall have the power to cancel all or any of the Options granted under the Scheme, if so required, under any law for the time being in force or the order of any jurisdictional court. In the event of any such cancellation, no compensation shall be payable to the Option Grantee for such cancelled Options.

## **10. ALLOTMENT OF SHARES ON INDIVIDUAL NAME**

On Exercise of Options, the Shares will be allotted in the name of the Option Grantee or to the legal heir or nominees as the case may be.

## **11. DISCONTINUATION OF SERVICES BEFORE VESTING**

- 11.1 In the event of an eligible Option Grantee's services being discontinued on account of resignation, the Options granted to him but not vested as on the last working date under the ASOP 2018 shall lapse.

- 11.2 However, in the event of an eligible Option Grantee's services being terminated by the Company i.e. on account of termination without cause, the Options granted to him which would vest within the next one year from the date of termination without cause shall vest immediately on the date of termination. All other unvested Options as on the date of termination under the ASOP 2018 shall lapse.
- 11.3 In the event of an eligible Option Grantee's services being discontinued on account of termination with cause, the Options granted to him which have not vested in such employee as on the last working date would lapse. The vested Options in such situation would be treated in the manner provided in Clause 12.2.
- 11.4 In the event of demise of an Option Grantee while in employment, the Options granted to him but not vested as on that date shall vest immediately in the legal heirs or nominees of the deceased Option Grantee. All such Options have to be exercised by the legal heirs or nominees of the deceased Option Grantee, as the case may be within the time period specified in Clause 12.3 or as decided by the Nomination and Remuneration Committee at its sole discretion. It is hereby clarified that after Listing, the cliff period of 1 (one) year as regards Vesting will not apply in case of death of the Option Grantee. Further, the Company shall formulate appropriate policy in accordance with Applicable Laws as regards the Options granted in case of death or permanent incapacity applicable on Listing.
- 11.5 In the case the Option Grantee suffers a permanent incapacity while in employment, the Options granted to him but not vested as on that date shall vest in him on that day. Such Options have to be exercised by the Option Grantee within the time period specified in Clause 12.3 or as decided by the Nomination and Remuneration Committee at its sole discretion. It is hereby clarified that after Listing, the cliff period of 1 (one) year as regards Vesting will not apply in case the Option Grantee suffers a permanent incapacity. Further, the Company shall formulate appropriate policy in accordance with Applicable Laws as regards the Options granted in case of death or permanent incapacity applicable on Listing.
- 11.6 In case of superannuation of an Option Grantee, all unvested Options on the date of the superannuation shall lapse, unless otherwise decided by the Nomination and Remuneration Committee at its sole discretion, and the vested Options shall be exercised within the time period specified in Clause 12.5. After the Listing of the Company, the Options granted which have not vested, will not expire, and continue to vest in accordance with respective Vesting schedules as per Company's policies.

## **12. DISCONTINUATION OF SERVICES BEFORE EXERCISE**

- 12.1 If the services of an Option Grantee is terminated by such Option Grantee or of the Company (e.g. resignation or termination without cause), then, such Option Grantee may Exercise the Options within 90 days from the last working day, failing which the Options shall lapse. If the Exercise of Options is delayed by operation of law or under any Regulations or as per the policy of the Company, the 90 days mentioned above shall be extended by such period of days as the Nomination and Remuneration Committee may deem fit.
- 12.2 In case of an Option Grantee, whose services are terminated for cause, such Option Grantee may Exercise the Options within 30 days from the last working day, failing

which the Options shall lapse. However, the Company reserves the right to cancel all rights pertaining to Exercise of vested Options under this Scheme as may be decided by the Nomination and Remuneration Committee.

- 12.3 In case of death or permanent incapacity of an Option Grantee, Options which are vested as on the date of demise or incapacitation but not exercised and Options which shall be vested as on the date of demise / permanent incapacity (as per clause 11.4 and 11.5 above), shall be exercised within 180 days from the date of death or permanent incapacitation by the nominees / legal heirs of the deceased Option Grantee or such Option Grantee as the case may be, upon proper verification and approval by the Nomination and Remuneration Committee.
- 12.4 The date of the termination of employment of an Option Grantee shall mean the date of termination of the employment specified by the Company in the letter of termination issued by the Company to that grantee or the last working day, whichever is later.
- 12.5 In case of superannuation of an Option Grantee, the vested Options as on the date of superannuation shall be exercised within 90 days from the date of superannuation.

### **13. CORPORATE ACTIONS**

- 13.1 In the event of a merger or acquisition of Five Star with any other company or body corporate (“**Merger Event**”) which would result in the creation of a new entity or otherwise, wherein the Shares of Five Star to be swapped with the new entity or otherwise, all the unvested Options shall be vested and shall have to be exercised before the binding documents are signed resulting in the consummation of the Merger Event. For abundant clarity, it is to be understood that as defined above, upon the accelerated Vesting and Exercise of the Options, the Option Grantees shall have become shareholders of Five Star on or before the date of the Merger Event. The date of Vesting and timeline for Exercise shall be discussed and mutually agreed to between Five Star and the Associates but in no event shall the Vesting and Exercise go beyond the date of consummation of the Merger Event.
- 13.2 In a scenario where an individual or company or body corporate acquires majority shareholding (greater than or equal to 51%) (“**Buyout**”) in Five Star or in case of change in Control (“**Control Event**”) of Five Star, all the unvested Options shall be vested and shall have to be exercised before the binding documents are signed resulting in the consummation of the Buyout or the Control Event. For abundant clarity, it is to be understood that as defined above, upon the accelerated Vesting and Exercise of the Options, the Option Grantees shall have become Shareholders of Five Star on or before the date of the Buyout or Control Event. The date of Vesting and timeline for Exercise shall be discussed and mutually agreed to between Five Star and the Associates but in no event shall the Vesting and Exercise go beyond the date of consummation of the Buyout or Control Event. For the purpose of this clause, “**Control**” shall mean and include the right to appoint a majority of directors, or to control the management or policy decisions exercisable by a person or persons acting individually or in concert, directly or indirectly, including by virtue of their shareholding or management rights or shareholders agreements or voting agreements or in any other manner.

13.3 Notwithstanding anything above, the Nomination and Remuneration Committee shall have the right to accelerate the timeline for the Vesting or Exercise of Options by the Associates in view of any proposed corporate actions being undertaken in the Company.

#### **14. OTHER CONDITIONS ATTACHED TO OPTIONS**

14.1 Options granted to an Associate shall not be transferable to any other person.

14.2 No person other than the Associate to whom the Option is granted, shall be entitled to Exercise the Option except in case of a deceased Associate or nominee as per the provisions of this scheme

14.3 The Options granted to an Associate shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

#### **15. BENEFITS AND OBLIGATIONS AS OPTION / SHARE HOLDERS**

15.1 Where the Options have not been vested in the case of any Option Grantee, or where the Options have been vested but have not been exercised by the grantee, if any changes be made to the equity share capital of the Company by reason of any corporate action like consolidation of shares, split of shares, or conversion of shares into stock or by capitalization by bonus issue or rights issue or in any other manner, appropriate adjustments to the extent permissible under the law for the time being in force shall be made either to the number of Options or the Exercise Price of Options granted or both, to reflect such change without in any way affecting the rights of the said option holders, or diluting or enlarging the benefits of ASOP 2018. However the option holders will not have a right to participate in the further issue of shares including Rights/Preferential issue.

15.2 Neither an option holder, nor successors in interest, shall have any of the rights of a shareholder of the Company with respect to the Options granted, till the Company, on the Exercise of Options, issues Shares.

15.3 The Option Grantee shall not divulge any details of the ASOP 2018 including Options granted to any person except with the prior permission of the Company obtained in writing.

15.4 ASOP Shares shall rank pari-passu with then existing equity shares of the Company and shall be subject to the Memorandum and Articles of Association of the Company.

15.5 All Associates who have been allotted ASOP Shares by virtue of Exercise of Options issued under the ASOP 2018 will be entitled to receive all regular benefits as shareholders of the Company like Dividends, Bonus Shares, etc, if any, announced by the Company only from the date of allotment of Shares.

15.6 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 Company to make or authorise 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.

## **16. APPOINTMENT OF NOMINEE**

- 16.1 An Option Grantee may appoint any person as nominee(s) for the purpose of exercising the rights, subject to the obligations, in terms of the ASOP 2018. The grantee concerned shall appoint such nominee(s) as per the form prescribed from time to time. The grantee has the right to revoke such nomination at any time and a fresh nomination may be made on such revocation.
- 16.2 The nominee specified as aforesaid shall alone be entitled to exercise the rights of the grantee concerned and Five Star shall not be liable in relation to any rights and obligations amongst the legal heir's inter-se of the grantee concerned.
- 16.3 Where the grantee has not made the nomination as above, then the person appointed as nominee by the Grantee as per the provisions of Employees Provident Fund Scheme 1952, as may be amended from time to time or in the absence thereof, any other Social Security Regulations, which is in force, shall be deemed to be the nominee for the purposes of ASOP 2018.
- 16.4 If an Option Grantee fails to make a nomination as mentioned above in any case, the Options shall vest on legal heirs in the event of death of the Option Grantee.

## **17. GOVERNMENT REGULATIONS**

- 17.1 This Scheme shall be subject to all Applicable Laws, rules, regulations, notifications and to such approvals by any governmental agencies as may be required. The Grant of Options under this ASOP 2018 shall entitle Five Star to require the Associates to comply with such requirements.
- 17.2 The Courts of Chennai shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this Scheme.

## **18. GENERAL RISKS**

Participation in this ASOP 2018 shall not be construed as any guarantee of return on the equity investment. Any loss due to fluctuations in the price of the equity and the risks associated with the investment are that of the Option Grantee alone.

## **19. Accounting and Disclosures**

- 19.1 The Company shall follow the rules/regulations / Guidance Note on Accounting for Employee Share-based Payments and/ or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India or any other appropriate authority, from time to time, including the disclosure requirements prescribed therein.
- 19.2 Upon Listing, the Company will also make the necessary disclosures under the SEBI SBEB & SE Regulations, 2021 at the time of grant, including as provided in Part G of Schedule I of the SEBI SBEB & SE Regulations.

## **20. TAX LIABILITY**

- 20.1 In the event of any tax liability, arising in or outside India on account of the Grant/Vesting /Exercise of Options and /or allotment of the Shares to an option holder, the liability shall be that of such Grantee alone and shall be borne and paid by the Option Grantee at the time of Exercise of Options or within such time as may be prescribed under the law whichever is earlier.
- 20.2 All the tax liabilities arising on disposal or transfer of Shares by the Option Grantees after Exercise of Options would be required to be borne by the Option Grantee directly.
- 20.3 The Options shall be granted only on payment of an amount equal to the aggregate Exercise Price and tax payable in respect of the Options exercised. If the amount paid by the Option Grantee is less than the aggregate Exercise Price and tax payable in respect of the Options exercised, the Exercise shall remain incomplete.

## **21. CHANGES IN TERMS AND CONDITIONS OR TERMINATION OF SCHEME**

- 21.1 The Company may, at any time at its discretion, change the terms and conditions of the ASOP 2018. However such changes shall not be detrimental to the interest of the then existing option holders in respect of the Options granted to them as on that date.
- 21.2 Post the Listing, the Board of directors or the Nomination and Remuneration Committee may revise any of the terms and conditions of this Scheme to meet any regulatory requirement without seeking shareholders' approval.
- 21.3 The operation of the Scheme may be terminated at any point of time by the Board of Directors. However, the Scheme shall continue to operate in respect of Options granted but pending Vesting/Exercise/cancellation/lapse before the date of termination of the Scheme. Only those Options pending to be granted as on the date of termination of the Scheme shall lapse as on the date of termination of the Scheme.
- 21.4 In the event of pre-closure of the Scheme, the Board of directors shall frame such terms and conditions as it may deem fit, without being detrimental to the interest of the then existing option holders.

## **22. SUBSEQUENT SCHEMES**

- 22.1 Nothing contained in the Scheme shall be construed to prevent the Company from implementing any other subsequent scheme for granting stock options and/or share purchase rights, which is deemed by the Company to be appropriate or in its best interest.
- 22.2 The Company reserves the right to carry forward the lapsed, unexercised and forfeited Options to new scheme.
- 22.3 No Associate or other person shall have any claim against the Company as a result of such action.



## **23. SCHEME SEVERABLE**

- 23.1 This Scheme read with the Grant letter constitutes the entire document in relation to its subject matter and supersedes all prior agreements and understandings whether oral or written with respect to such subject matter.
- 23.2 In the event that any term, condition or provision of this scheme being held to be a violation of any Applicable Law, statute or regulation the same shall be severable from the rest of this scheme and shall be of no force and effect and this scheme shall remain in full force and effect as if such term, condition or provision had not originally been contained in this scheme.

## **24. ARBITRATION**

- 24.1 All disputes arising out of or in connection with the Scheme or the Grant shall be referred initially to the ombudsmen. If the dispute is not satisfactorily resolved, it shall be referred to a single Arbitrator to be appointed by the Committee. The arbitration proceedings shall be in accordance with the provisions of the Arbitration and Conciliation Act, 1996. The place of Arbitration shall be Chennai, India.

## **25. APPLICABILITY OF REGULATIONS**

- 25.1 All amendments made from time to time to the Companies Act, 2013 and / or the Companies (Share Capital and Debenture) Rules, 2014, SEBI SBEB & SE Regulations, 2021 or other applicable regulations, so far as they apply to this Scheme, shall automatically form a part of this Scheme. The Nomination and Remuneration Committee is authorized to give effect to such amendments in the text of this Scheme.
- 25.2 The Company & its Subsidiary Company (ies) shall conform to the accounting policies as specified under applicable guidelines / regulations / notifications / circulars or as may be made applicable from time to time.

## **26. CONFIDENTIALITY**

- 26.1 The Associate who holds Options/Shares under this Scheme shall not divulge details of this Scheme or of the Options held by him to any person without prior written permission of the Nomination and Remuneration Committee.
- 26.2 The Associate shall enter into such agreement as the Nomination and Remuneration Committee may decide from time to time.

## **27. CONTRACT OF EMPLOYMENT**

- 27.1 The rights and obligations of any Associate under the terms of office or employment with Five Star shall not be affected by participation in this Scheme.
- 27.2 Nothing in this Scheme shall be construed as affording such an Associate any additional rights as to compensation or damages in consequence of the termination of such office or employment for any reason.

- 27.3 This Scheme is purely at the discretion of Five Star (represented by the Board of Directors / Nomination and Remuneration Committee).
- 27.4 This Scheme shall not confer on any legal or equitable rights on Associates or any person against the Company either directly or indirectly or give rise to any cause of action in law or equity against the Company.
- 27.5 The Associate to whom this scheme is made applicable may also be bound by a Code of Conduct, as may be framed and announced by the Nomination and Remuneration Committee from time to time, to be followed in respect of any grant and other transactions under the Scheme. Any willful violation of the said code of conduct on the part of the Associate will result in the withdrawal/ annulment of the relevant and / or all related transactions under the Scheme.