

# Referencer on

# SEBI

(Share Based Employee  
Benefits and Sweat Equity)  
Regulations, 2021



**THE INSTITUTE OF  
Company Secretaries of India**

**भारतीय कम्पनी सचिव संस्थान**

**IN PURSUIT OF PROFESSIONAL EXCELLENCE**

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

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**DISCLAIMER**

*This Referencer is an academic interpretation of the provisions of the SEBI (Share Based Employee Benefits and Sweat Equity Shares) Regulations, 2021. Due care has been taken in the preparation to reflect true intention of the law. However, Members are requested to also refer the latest updates of the applicable provisions while taking action on the basis of this referencer , The Institute shall not be responsible for any loss or damage resulting from any action taken on the basis of this Referencer.*

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# PREFACE

*“We want deeper sincerity of motive, a greater courage in speech and earnestness in action.”*

*- Sarojini Naidu*

Human Capital plays a vital role in the growth, prosperity and success of a company. Considering the revival of economy, post pandemic, it becomes all the more essential for retaining and benefitting the human talent. The Employee benefit schemes have become leading channels for rewarding employees either by way of cash or shares of the company.

Recently, the Securities Exchange Board of India has notified SEBI (Share Based Employee Benefit and Sweat Equity) Regulations, 2021 by merging two erstwhile Regulations viz. SEBI (Share Based Employee Benefits) Regulations, 2014 and SEBI (Issue of Sweat Equity) Regulations, 2002 in order to make it more robust by syncing the same with best global practices and ease of doing business. These newly promulgated Regulations bring a welcome change by recognizing the profession of Company Secretaries thereby authorizing “Secretarial Auditor” for issuance of the Compliance Certificates under its various Regulations.

Under the new Regulations, the Company is required to obtain the Certificates of Compliance of various Regulations from the Secretarial Auditors of the Company annually. The Annual Report is a significant document and considered to be an important means of communication by the company with its stakeholders detailing the disclosures under the Companies Act, 2013, SEBI Regulations and other applicable laws comprehensively covering financial and non-financial information. The Certificates issued under the new Regulations by the Secretarial Auditors shall form part of the Annual Report of the Companies.

This publication titled Referencer on SEBI (Share Based on Employee Benefits and Sweat Equity) Regulations, 2021 contains the comparative analysis, suggestive formats, checklists, etc. which could be used as a ready reference by members while issuing the Compliance Certificates under these Regulations.

I place on record my sincere thanks to CS Pradeep Ramakrishnan, Deputy General Manager, SEBI, CS Makarand Joshi, CS Sudhakar Saraswatula, CS Shailashri Bhaskar and CS Mohini Varshneya for their contribution in the preparation and finalisation of this Referencer. I commend the dedicated efforts put in by CS Nikita Dutta, Consultant, CS Disha Kant, Assistant Director ably guided by CS Alka Arora, Joint Director of the Directorate of Professional Development, ICSI under the overall guidance of CS Asish Mohan, Secretary, ICSI and stewardship of CS B Narasimhan, Chairman, Financial Services Committee & Council Member, ICSI and CS Manish Gupta, Chairman, Practising Company Secretaries Committee & Council Member, ICSI in bringing out this publication.

I hope this publication shall not only serve as the perfect guide for our professional colleagues but will also ensure uniformity in issuance of Compliance Certificates under these Regulations and in turn promote good Corporate Governance.

Given the fact that improvement is a continuous process, suggestions of the readers to improve this Referencer are most welcome.

Place : New Delhi

**CS Nagendra D. Rao**

Date : 4<sup>th</sup> October, 2021

*President*

The Institute of Company Secretaries of India

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## **INTRODUCTION**

The Securities and Exchange Board of India (“SEBI”), in the year 1999, framed the “SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999” (“ESOS Guidelines”) to provide for regulation of the stock based incentive schemes to employees. On October 28, 2014, SEBI notified the SEBI (Share Based Employee Benefits) Regulations, 2014 (“SBEB Regulations”) repealing the existing Guidelines to regulate Employee Stock Option Schemes (ESOS), Employee Stock Purchase Schemes (ESPS), General Employee Benefit Schemes (GEBS), Retirement Benefit Schemes (RBS) and Stock appreciation rights (SAR) Schemes of the listed companies.

The SEBI Circular No. CIR/CFD/POLICY CELL/2/2015, dated June 16, 2015, supplemented the SBEB Regulations, and provided for the minimum provisions to be included in a trust deed, items to be included in the explanatory statement while adopting a scheme, disclosures required to be made by the company, etc.

On September 24, 2002, SEBI notified the SEBI (Issue of Sweat Equity) Regulations, 2002 (“SE Regulations”) to regulate issuance of sweat equity shares by listed companies.

Pursuant to the receipt of multiple suggestions from stakeholders to further streamline and rationalize the provisions of these regulations, SEBI constituted an Expert Group with a mandate to provide recommendations on the following issues:

- (a) Revisiting the framework of SBEB Regulations and suggesting policy change thereto;
- (b) Revisiting the framework of SE Regulations vis-à-vis the Companies Act, 2013 and suggesting policy changes thereto; and
- (c) Suggesting, whether it is advisable to combine both the Regulations and if so, providing a draft of combined Regulations.

The Expert Group after deliberations in its several meetings submitted its report to SEBI on June 18, 2021. The Group made several policy recommendations including combining both the Regulations (SBEB Regulations and SE Regulations) and also provided a draft of the combined Regulations.

On July 8, 2021, SEBI came up with a discussion paper inviting the comments of the public on the proposals to amend and merge SBEB Regulations and SE Regulations into a single Regulation called SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.



The changes in the two Regulations and their merger into a single Regulation was approved by SEBI in the Board Meeting held on August 6, 2021. Thereafter, SEBI notified the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“New Regulations”) by repealing and merging the SBEB Regulations and SE Regulation (collectively referred to as “Erstwhile Regulations”) with appropriate modifications. The New Regulations have come into force from August 13, 2021 (“Effective Date”) i.e. the day of its publication in the official gazette. The provisions prescribed in the SEBI Circular No. CIR/CFD/POLICY CELL/2/2015, dated June 16, 2015, have also been incorporated in Schedule I of the New Regulations.

The New Regulations shall apply to any company whose “equity” shares are listed on a recognised stock exchange in India and who seeks to issue sweat equity shares or has a scheme:-

- i) for direct or indirect benefit of employees;
- ii) involving dealing in or subscribing to or purchasing securities of the company, directly or indirectly; and
- iii) satisfying, directly or indirectly, any one of the following conditions:-
  - a) The scheme is set up by the company or any other company in its group.
  - b) The scheme is funded or guaranteed by the company or any other company in its group.
  - c) The scheme is controlled or managed by the company or any other company in its group.

Further, the provisions pertaining to preferential issue as specified in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 shall not be applicable in case of a company issuing new shares in pursuance and compliance of these New regulations except wherever specifically provided for in these New regulations.

## **RECOGNITION TO THE SECRETARIAL AUDITOR UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED EMPLOYEE BENEFITS AND SWEAT EQUITY) REGULATIONS, 2021**

The Institute of Company Secretaries of India pro-actively takes initiatives towards submission of representations/views/suggestions/comments on various Consultation/Discussion Papers/Reports issued by the SEBI for seeking opportunities for the Members in the area of Securities Laws.

In this direction, the Institute sent a specific representation to the SEBI dated January 25, 2021, requesting SEBI to authorise company secretaries in practice to provide the applicable certification under the erstwhile SEBI (Share Based Employee Benefits) Regulations, 2014.

Considering this representation, the Expert Group agreed that the Secretarial Auditor (being an independent practising company secretary) was more conversant with these laws compared to other categories of persons, and it is the secretarial auditor that is required under Regulation 24A of the SEBI LODR Regulations, to furnish a secretarial audit report on an annual basis. Accordingly, the audit certificate referred to under the New Regulation should be procured from such secretarial auditor. The same was placed in the Consultation Paper on Review of SEBI (Share Based Employee Benefits) Regulations, 2014 and SEBI (Issue of Sweat Equity) Regulations, 2002 dated July 8, 2021.

SEBI has accorded recognition to the profession of Company Secretaries by exclusively authorizing the **Secretarial Auditor** to provide Compliance Certificate under Regulation 10 (b), 13, 26 (3), 27 (4) & 36 of the New Regulations.

SEBI has also defined the term “Secretarial Auditor” under **Regulation 2(1) (oo)** of the New Regulations, the text of which is reproduced below:

“Secretarial auditor means a company secretary in practice appointed by a company under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.”

**According to Rule 8** of the Companies (Meetings of Boards and its Powers) Rules, 2014, the Board of Directors by means of resolution passed at its meeting shall appoint Secretarial auditor to conduct Secretarial Audit and Secretarial Compliance Report under Regulation 24A of the SEBI (LODR) Regulations, 2015 which states as under:

## Secretarial Audit and Secretarial Compliance Report

- (1) Every listed entity and its material unlisted subsidiaries incorporated in India shall undertake secretarial audit and shall annex a secretarial audit report given by a company secretary in practice, in such form as specified, with the annual report of the listed entity.
- (2) Every listed entity shall submit a secretarial compliance report in such form as specified, to stock exchanges, within sixty days from end of each financial year.

## Details of respective Regulations under the New Regulations wherein Compliance Certificate is to be given by the Secretarial Auditor

### I. Regulation 10 (b) read with Part D of Schedule I - Listing

In case a new issue of shares is made under any scheme, shares so issued shall be listed immediately on all recognised stock exchange(s) where the existing shares are listed, subject to the following conditions:

- a) The scheme is in compliance with these regulations;
- b) A statement, as specified in **Part D of Schedule-I** of these regulations, is filed and the company obtains an in-principle approval from the recognised stock exchange(s);
- c) As and when an exercise is made, the company notifies the concerned recognised stock exchange(s) as per the statement as specified in Part E of Schedule-I of these regulations.

Further as per Regulation 12 (3) the company is required to obtain the in-principal approval of the recognized stock exchange(s) where it proposes to list the said shares prior to the grant of options or SARs. Accordingly, the Certificate of Regulation 10 (b) is required to be submitted along with application for in principal approval to Stock Exchange in accordance with **Part D of Schedule – I**.

### II. Regulation 13 - Certificate from auditors

In the case of every company which has passed a resolution for the scheme(s) under these regulations, the Board of Directors shall at each annual general meeting place before the shareholders a certificate from the **secretarial auditors** of the company that the scheme(s) has been implemented in accordance with these regulations and in accordance with the resolution of the company in the general meeting.

### III. Regulation 26 - General Employee Benefits Scheme (GEBS) - Administration and implementation

- (1) Subject to the provisions of these regulations, GEBS shall contain the details of the scheme and the manner in which the scheme shall be implemented and operated.
- (2) The shares of the company or shares of its listed holding company shall not exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet (whether audited or limited reviewed) for the purposes of GEBS.
- (3) The **secretarial auditor** of the company shall certify compliance with sub-regulation (2) at the time of adoption of such balance sheet by the company.

### IV. Regulation 27- Retirement Benefit Scheme (RBS) - Administration and implementation

- (1) Retirement benefit scheme may be implemented by a company subject to compliance with these regulations and provisions of any other law in force in relation to retirement benefits.
- (2) The retirement benefit scheme shall contain the details of the benefits under the scheme and the manner in which the scheme shall be implemented and operated.
- (3) The shares of the company or shares of its listed holding company shall not exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet (whether audited or limited reviewed) for the purposes of RBS.
- (4) The **secretarial auditor** of the company shall certify compliance with sub-regulation (3) at the time of adoption of such balance sheet by the company.

### V. Regulation 36 - Placing of auditor's certificate before annual general meeting.

In the general meeting subsequent to the issue of sweat equity shares, the Board of Directors shall place before the shareholders, a certificate from the **secretarial auditor** of the company that the issue of sweat equity shares has been made in accordance with these regulations and in accordance with the resolution passed by the company authorizing the issue of such sweat equity shares.

## COMPARATIVE ANALYSIS OF ERSTWHILE REGULATIONS WITH THE NEW REGULATIONS

To gain clarity about the changes introduced in the New Regulations, a comparative analysis of major modifications have been reproduced for ready reference:

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
<p>2(1)(i) Definition of Employee</p>	<p>Employee means -</p> <ul style="list-style-type: none"> <li>i) a permanent employee of the company who has been working in India or outside India; or</li> <li>ii) a director of the company, whether a whole time director or not but excluding an independent director; or</li> <li>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</li> </ul> <p>but does not include –</p> <ul style="list-style-type: none"> <li>a) an employee who is a promoter or a person belonging to the promoter group; or</li> <li>b) a director who either himself or through his relative or through any body</li> </ul>	<p><b>Employee, except in relation to issue of sweat equity shares, means –</b></p> <ul style="list-style-type: none"> <li>i) an employee as designated by the company, who is exclusively working in India or outside India; or</li> <li>ii) a director of the company, whether a whole time director or not, <b>including a non-executive director who is not a promoter or member of the promoter group</b>, but excluding an independent director; or</li> <li>iii) an employee as defined in sub-clauses (i) or (ii), <b>of a group company including subsidiary or its associate company</b>, in India or outside India, or of a holding company of the company <b>but does not include –</b></li> </ul> <ul style="list-style-type: none"> <li>a) an employee who is a promoter or a person belonging to the promoter group; or</li> <li>b) a director who, either himself or</li> </ul>

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
	corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company.	through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company
2(1)(q) Grant Date for the purpose of accounting	“grant date” means the date on which the compensation committee approves the grant;	Grant Date means the date on which the compensation committee approves the grant.  <b>Explanation – For accounting purposes, the grant date will be determined in accordance with applicable accounting standards.</b>
3(1) Implementation of the Scheme through Trust	A company may implement schemes either directly or by setting up an irrevocable trust(s):  Provided that if the scheme is to be implemented through a trust the same has to be decided upfront at the time of taking approval of the shareholders for setting up the schemes:  Provided further that if the scheme involves secondary acquisition or gift or both, then it is mandatory for the company to implement such scheme(s) through a trust(s).	A company may implement a scheme(s) either directly or by setting up an irrevocable trust(s):  Provided that if the scheme is to be implemented through a trust, the same has to be decided upfront at the time of taking approval of the shareholders for setting up the scheme(s):  <b>Provided further that if prevailing circumstances so warrant, the company may change the mode of implementation of the scheme subject to the condition that a fresh approval of the shareholders</b>

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
		<p>by a special resolution is obtained prior to implementing such a change and that such a change is not prejudicial to the interests of the employees.</p> <p>Provided further that if the scheme(s) involves secondary acquisition or gift or both, then it shall be mandatory for the company to implement such scheme(s) through a trust(s).</p>
3(3) Provisions to be included in the trust deed	SEBI may specify the minimum provisions to be included in the trust deed under which the trust is formed, and such trust deed and any modifications thereto shall be mandatorily filed with stock exchange in India where the shares of the company are listed.	The trust deed, under which the trust is formed, <b>shall contain provisions as specified in Part A of Schedule – I of these regulations</b> and such trust deed and any modifications thereto shall be mandatorily filed with the <b>recognized stock exchange(s)</b> in India where the shares of the company are listed.
3(4) Appointment as a trustee	A person shall not be appointed as a trustee, if he-  i) is a director, key managerial personnel or promoter of the company or its holding, subsidiary or associate company or any relative of such director, key	Any person can be appointed as a trustee of the trust, except in cases where such person –  i) is a director, key managerial personnel or promoter of the company or its <b>group company</b> including its holding, subsidiary or associate

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
	<p>managerial personnel or promoter; or</p> <p>ii) beneficially holds ten percent or more of the paid-up share capital of the company.</p> <p>Provided where individuals or 'one person companies' as defined under the Companies Act, 2013 are appointed as trustees, there shall be a minimum of two such trustees, and in case a corporate entity is appointed as a trustee, then it may be the sole trustee.</p>	<p>company or any relative of such director, key managerial personnel or promoter; or</p> <p>ii) beneficially holds ten percent or more of the paid-up share capital or the <b>voting rights</b> of the company:</p> <p>Provided that where individual(s) or "one person company" as defined under the Companies Act, 2013 (18 of 2013) is appointed as trustee(s), there shall be a minimum of two such trustees, and in case a corporate entity is appointed as a trustee, then it may be the sole trustee.</p>
<p>3(11) Adjustment in the limit of shareholding of Trust</p>	<p>Explanation 1.- The above limits shall automatically include within their ambit the expanded capital of the company where such expansion has taken place on account of corporate action including issue of bonus shares, split or rights issue.</p>	<p>Explanation 1,- The above limits shall automatically include within their ambit the expanded <b>or reduced</b> capital of the company where such expansion <b>or reduction</b> has taken place on account of corporate action(<b>s</b>) including issue of bonus shares, split, rights issue, <b>buy-back or scheme of arrangement</b>.</p>



New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
3(12) Appropriation of shares by the Trust	The un-appropriated inventory of shares which are not backed by grants, acquired through secondary acquisition by the trust under Part A, Part B or Part C of Chapter III of these regulations, shall be appropriated within a reasonable period which shall not extend beyond the end of the subsequent financial year.	The unappropriated inventory of shares which are not backed by grants, acquired through secondary acquisition by the trust under Part A, Part B or Part C of Chapter III of these regulations, shall be appropriated within a reasonable period which shall not extend beyond the end of the subsequent financial year, <b>or the second subsequent financial year subject to approval of the compensation committee/nomination and remuneration committee for such extension to the second subsequent financial year.</b>
5(2) Compensation Committee	The compensation committee shall be a committee of such members of the board of directors of the company as provided under section 178 of the Companies Act, 2013, as amended or modified from time to time.	The compensation committee shall be a committee of such members of the Board of Directors of the company as provided under <b>regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time:</b>  <b>Provided that a company may also opt to designate its nomination and remuneration committee as the compensation committee for the purposes of these regulations.</b>

<b>New Regulation</b>	<b>SEBI (Share Based Employee Benefits) Regulations, 2014</b>	<b>SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021</b>
<p style="text-align: center;">7</p> <p>Variation in the terms of the Scheme</p>	<p>(1) The company shall not vary the terms of the schemes in any manner, which may be detrimental to the interests of the employees:</p> <p>Provided that the company shall be entitled to vary the terms of the schemes to meet any regulatory requirements.</p> <p>(2) Subject to the proviso to sub-regulation (1), the company may by special resolution in a general meeting vary the terms of the schemes offered pursuant to an earlier resolution of the general body but not yet exercised by the employee provided such variation is not prejudicial to the interests of the employees.</p>	<p>(1) A company may by special resolution of its shareholders vary the terms of the schemes offered pursuant to an earlier resolution of the general body but not yet exercised by the employees, if such variation is not prejudicial to the interests of the employees.</p> <p>(2) Notwithstanding the provisions of sub-regulation (1), a company shall be entitled to vary the terms of the schemes to meet any regulatory requirement without seeking shareholders' approval by special resolution.</p>

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
<p style="text-align: center;">8</p> <p>Utilization of Fund/ Shares held by Trust in case of Winding Up of the Scheme</p>	<p>In case of winding up of the schemes being implemented by a company through trust, the excess monies or shares remaining with the trust after meeting all the obligations, if any, shall be utilised for repayment of loan or by way of distribution to employees as recommended by the compensation committee.</p>	<p>In case of winding up of the schemes being implemented by a company, the excess monies or shares remaining with the trust after meeting all the obligations, if any, shall be utilised for repayment of loan or by way of distribution to employees <b>or subject to approval of the shareholders, be transferred to another scheme under these regulations, as recommended by the compensation committee.</b></p>
<p style="text-align: center;">9(4)</p> <p>Applicability of Minimum Vesting Period in case of Death/ Permanent Incapacity</p>	<p>In the event of death of the employee while in employment, all the options, SAR or any other benefit granted to him under a scheme till such date shall vest in the legal heirs or nominees of the deceased employee.</p>	<p>In the event of death of the employee while in employment, all the options, SAR or any other benefit granted under a scheme to <b>him/her till his/her death shall vest, with effect from the date of his/her death</b>, in the legal heirs or nominees of the deceased employee, as the case may be.</p>

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
<p>9(6)</p> <p>Vesting in case of superannuation/ layoff</p>	<p>In the event of resignation or termination of the employee, all the options, SAR, or any other benefit which are granted and yet not vested as on that day shall expire:</p> <p>Provided that an employee shall, subject to the terms and conditions formulated by the compensation committee under the sub-regulation (3) of regulation 5, be entitled to retain all the vested options, SAR, or any other benefit covered by these regulations.</p>	<p>In the event of resignation or termination of an employee, all the options, SAR or any other benefit which are granted and yet not vested as on that day, shall expire:</p> <p>Provided that an employee shall, subject to the terms and conditions formulated by the compensation committee under sub-regulation (3) of regulation 5 of these regulations, be entitled to retain all the vested options, SAR or any other benefit covered by these regulations.</p> <p><b>Explanation. – The cessation of employment due to retirement or superannuation shall not be covered by this sub-regulation, and such options, SAR or any other benefit granted to an employee would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the company’s policies and the applicable law.</b></p>

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
<p>5(3), 3(15) and 9(2)</p> <p>Clarification on Cashless Exercise</p>	<p>5(3) - The compensation committee shall, <i>inter alia</i>, formulate the detailed terms and conditions of the schemes which shall include the provisions as specified by Board in this regard.</p> <p><u>SEBI Circular dated June 16, 2015</u></p> <p>j. the procedure for cashless exercise of options / SARs.</p> <p>3(15) - The trust shall not become a mechanism for trading in shares and hence shall not sell the shares in secondary market except under the following circumstances:</p> <p>(a).cashless exercise of options under the scheme covered by Part A of Chapter III of these regulations.</p> <p>9(2) - No person other than the employee to whom the option, SAR or other benefit is granted shall be entitled to the benefit arising out of such option, SAR, benefit etc.:</p>	<p>5(3) - The compensation committee shall, <i>inter alia</i>, formulate the detailed terms and conditions of the schemes which shall include the provisions as specified in Part B of Schedule – I of these regulations.</p> <p><u>Part B of Schedule-I</u></p> <p><b>j. the procedure for funding the exercise of options / SARs.</b></p> <p>3(15) - The trust shall not become a mechanism for trading in shares and hence shall not sell the shares in secondary market except under the following circumstances:</p> <p><b>(a) to enable the employee to fund the payment of the exercise price, the amount necessary to meet his/her tax obligations and other related expenses pursuant to exercise of options granted under the ESOS.</b></p> <p>9(2) - No person, other than the employee to whom the option, SAR or other benefit is granted, shall be entitled to the benefit arising out of such option, SAR or other benefit:</p>

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
	<p>Provided that in case of ESOS or SAR, under cashless exercise, the company may itself fund or permit the empanelled stock brokers to fund the payment of exercise price which shall be adjusted against the sale proceeds of some or all the shares, subject to the provisions of the applicable law or regulations.</p>	<p><b>Provided that in case of ESOS or SAR, subject to applicable laws, the company or the trustee may fund or permit the empanelled stock brokers to make suitable arrangements to fund the employee for payment of exercise price, the amount necessary to meet his/her tax obligations and other related expenses pursuant to exercise of options granted under the ESOS or SAR and such amount shall be adjusted against the sale proceeds of some or all the shares of such employee.</b></p>
<p>12 (3) In-principle approval from the Stock Exchange</p>	<p>For listing of shares issued pursuant to ESOS, ESPS or SAR, the company shall obtain the in-principle approval of the stock exchanges where it proposes to list the said shares.</p>	<p>For listing of shares issued pursuant to ESOS, ESPS or SAR, the company shall obtain the in-principle approval of the recognized stock exchanges where it proposes to list the said shares <b>prior to the grant of options or SARs.</b></p>

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
13 Certificate from Auditor	In the case of every company that has passed a resolution for the schemes under these regulations, the board of directors shall at each annual general meeting place before the shareholders a certificate from the auditors of the company that the scheme(s) has been implemented in accordance with these regulations and in accordance with the resolution of the company in the general meeting.	In the case of every company which has passed a resolution for the scheme(s) under these regulations, the Board of Directors shall at each annual general meeting place before the shareholders a certificate from the <b>secretarial auditors</b> of the company that the scheme(s) has been implemented in accordance with these regulations and in accordance with the resolution of the company in the general meeting.
14 Disclosures by Board of Directors	In addition to the information that a company is required to disclose, in relation to employee benefits under the Companies Act, 2013, the board of directors of such a company shall also disclose the details of the scheme(s) being implemented, as specified by SEBI in this regard.	In addition to the information that a company is required to disclose in relation to employee benefits under the Companies Act, 2013 (18 of 2013), the Board of Directors of such a company shall also disclose the details of the scheme(s) being implemented, <b>as specified in Part F of Schedule – I</b> of these regulations.

New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
<p>Schedule 1 (Part-B)</p> <p>Buyback of Stock Options</p>	-	<p>The Compensation Committee is required to formulate the detailed terms and conditions of the schemes which shall, inter alia, include the following provisions:</p> <p><b>k. 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:</b></p> <p>(i) permissible sources of financing for buy-back;</p> <p>(ii) any minimum financial thresholds to be maintained by the company as per its last financial statements; and</p> <p>(iii) limits upon quantum of specified securities that the company may buy-back in a financial year.</p> <p><b>Explanation. – Specified securities means as defined under the Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.</b></p>



New Regulation	SEBI (Share Based Employee Benefits) Regulations, 2014	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
26(2) Maximum value of shares in case of GEBS	At no point in time, the shares of the company or shares of its listed holding company shall exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet for the purposes of GEBS.	The shares of the company or shares of its listed holding company shall <b>not</b> exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet ( <b>whether audited or limited reviewed</b> ) for the purposes of GEBS.

Regulation	SEBI (Issue of Sweat Equity Shares) Regulations, 2002	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
30 Objective/ Purpose for the Issue of Sweat Equity Shares	A company whose equity shares are listed on a recognized stock exchange may issue sweat equity shares in accordance with Section 79A of Companies Act, 1956 and these Regulations to its – a) Employees b) Directors	A company whose equity shares are listed on a recognised stock exchange may issue sweat equity shares <b>in accordance with section 54 of the Companies Act, 2013 (18 of 2013)</b> and these regulations <b>to its employees for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.</b>

Regulation	SEBI (Issue of Sweat Equity Shares) Regulations, 2002	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
<p>31</p> <p>Maximum quantum of Sweat Equity Shares</p>	<p>–</p>	<p>A company shall not issue sweat equity shares for more than fifteen percent of the existing paid up equity share capital in a year:</p> <p>Provided that the issuance of sweat equity shares in the company shall not exceed twenty five percent of the paid up equity share capital of the company at any time:</p> <p>Provided further that a company listed on Innovators Growth Platform shall be permitted to issue not more than fifteen percent of the paid up equity share capital in a financial year subject to overall limit not exceeding fifty percent of the paid up equity share capital of the company, up to ten years from the date of its incorporation or registration.</p>
<p>33</p> <p>Pricing Requirements for Sweat Equity Shares</p>	<p>(1) The price of sweat equity shares shall not be less than the higher of the following:</p> <p>a) the average of the weekly high and low of</p>	<p>The price of sweat equity shares shall be determined in accordance with the pricing requirements stipulated for a preferential issue to a person other than a</p>

Regulation	SEBI (Issue of Sweat Equity Shares) Regulations, 2002	SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021
	<p>the closing prices of the related equity shares during last six months preceding the relevant date; or</p> <p>b) the average of the weekly high and low of the closing prices of the related equity shares during the two weeks preceding the relevant date.</p>	<p><b>qualified institutional buyer under the Securities and Exchange Board of India (ICDR) Regulations, 2018.</b></p>
<p>38 Lock-in Period for Sweat Equity Shares</p>	<p>(1) The Sweat Equity shares shall be locked in for a period of three years from the date of allotment.</p> <p>(2) The Securities and Exchange Board of India (Disclosures and Investor Protection) Guidelines, 2000 on public issue in terms of lock-in and computation of promoters' contribution shall apply if a company makes a public issue after it has issued sweat equity.</p>	<p>(1) The sweat equity shares shall be locked in for <b>such period of time as specified in relation to a preferential issue under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.</b></p> <p>(2) <b>The provisions of the Securities and Exchange Board of India (ICDR) Regulations, 2018 in respect of public issue in terms of lock- in and computation of promoters' contribution shall apply if a company makes a public issue after it has issued sweat equity shares.</b></p>

**Suggestive Checklist for Compliance of the Securities Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021:**

<b>Compliance Certificate under regulation 10 (b) read with Part D of Schedule I</b>			
<b>S. No.</b>	<b>Reg</b>	<b>Compliance Requirement</b>	<b>Basic Documents/Information to be checked/verified</b>
1.	-	Authorisation to Implement/ Amend Scheme(s)	<ul style="list-style-type: none"> <li>• Articles of Association of the Company</li> <li>• Scheme received from / furnished by the Company</li> </ul>
2.	6(2)	Approval of Board of Directors to - <ul style="list-style-type: none"> <li>• Approve the Scheme/ Amend the Scheme</li> <li>• For expansion of ESOP pool</li> <li>• Notice and explanatory statement of general meeting for approval/ amendment of Scheme containing information specified in Part C- Schedule I</li> </ul>	<ul style="list-style-type: none"> <li>• Certified copy of Board Resolution</li> <li>• Minutes of the meeting of the Board of Directors</li> <li>• Form MGT-14</li> </ul>
3.	6(3)	Approval of Scheme(s)/ Amendment of Scheme for expansion of ESOP pool by members	<ul style="list-style-type: none"> <li>• Certified copy of special resolution passed by members and MGT 14</li> <li>• Certified copy of special resolution passed for approving grants under Regulation 6(3) and MGT 14</li> <li>• Minutes of the General Meeting held for approving the scheme</li> </ul>

4.	3	Implementation Route – Direct or through Trust	<ul style="list-style-type: none"> <li>• Eligibility of trustee as per Regulation 3 (4) and declaration from trustee to this effect</li> <li>• Trust deed containing provisions specified in Part A of Schedule – I filed with the recognized stock exchange(s)</li> <li>• Modification to Trust deed</li> <li>• Other Compliances related to Trusts/trustees</li> </ul>
5.	4	Employee Eligibility	<ul style="list-style-type: none"> <li>• Minutes of meeting of Compensation Committee</li> <li>• Employment contract/ agreement</li> </ul>
6.	5(2)	Constitution of Compensation Committee/ Designation of Nomination and Remuneration Committee as Compensation Committee	<ul style="list-style-type: none"> <li>• Board Resolution</li> <li>• Constitution in accordance with Regulation 19 of SEBI (LODR) Regulations, 2015</li> </ul>
7.	5(3)	Detailed Terms and Conditions of Scheme(s) formulated and approved by Compensation Committee by Compensation Committee/ NRC	<ul style="list-style-type: none"> <li>• Scheme</li> <li>• Formulated in accordance with Part B- Schedule I</li> <li>• Minutes of the meetings of the Compensation Committee/ NRC for :  Amendment of the Scheme / expansion of ESOP Pool/ adjustment of corporate action on the options</li> </ul>

S. No.	Reg.	Compliance Requirement	Documents/ Information to be checked/verified
<b>Compliance certificate under Regulation 13</b>			
1.	3(1)	Whether the listed entity has used the direct route or trust route for issue of Employees Share Based Benefit Schemes, including ESOPs?  Whether the Trust Deed is in compliance provisions specified in Part A of Schedule – I filed with the recognized stock exchange(s)?	<ul style="list-style-type: none"> <li>• Board Resolution</li> <li>• Shareholders Resolution</li> <li>• Policy framed by the listed entity</li> <li>• Trust deed</li> </ul>
2	3(4)	Whether a director, KMP, promoter, group company including holding/ subsidiary/ associate companies, any relative of Director/KMP/ promoter, any person beneficially holding ten per cent or more of the paid up capital or the voting rights of the listed entity is appointed as a trustee?	<ul style="list-style-type: none"> <li>• Shareholding pattern of such person(s).</li> <li>• Declaration from the trustee of the listed entity in this behalf.</li> <li>• Trust Deed</li> </ul>
3.	3(5)	Whether the trustee of the trust has not voted in respect of the shares held by such trust, so as to avoid any misuse arising out of exercising such voting rights?	Declaration from the trustee/ Company in this regard
4.	3(6)	Whether requisite approval of shareholders has been obtained, authorizing the trust to implement the scheme and undertake secondary acquisition for the purposes of the scheme(s)?	Minutes of general meeting wherein such shareholder resolution(s) have been passed.
5.	3(7)	Whether the trust deals only in delivery based transactions and not in derivatives (if the stock has derivatives) for the purpose of secondary acquisition?	<ul style="list-style-type: none"> <li>• Declaration from the listed entity/ trustee</li> <li>• Contract note for buy/sell transactions done in the year</li> </ul>

S. No.	Reg.	Compliance Requirement	Documents/ Information to be checked/verified
6.	3(9)	Whether the shareholding of the trust has been shown as non-promoter and non-public shareholding to the Stock Exchange?	<ul style="list-style-type: none"> <li>Shareholding pattern submitted to the Stock Exchange</li> </ul>
7.	3(10)	Whether secondary acquisition in a financial year by a trust does not exceed two per cent of the paid up capital of the listed entity as at the end of the previous financial year?	<ul style="list-style-type: none"> <li>Paid up Share capital and shareholding pattern of the Company</li> <li>Transaction statement of Trust of the last one year.</li> </ul>
	3(11)	Whether the total number of shares under secondary acquisition held by the trust has exceeded the limits as prescribed under sub-regulation 11 as a percentage of the paid up equity capital of the company as at the end of the financial year immediately prior to the year in which the shareholders' approval is obtained for such secondary acquisition?	
8.	3(15)	Whether the trust has not become a mechanism for trading in shares and hence has not sold the shares in the secondary market except in certain circumstances as stipulated under regulation 15?	<ul style="list-style-type: none"> <li>Declaration from the trust that provisions of SEBI (Share Based Employee Benefits) Regulations, 2021 have been duly complied with.</li> <li>The transaction statements of last one year.</li> <li>Copy of the disclosures submitted to the Stock Exchange</li> </ul>
	3(16)	Whether the trust shall has made disclosures and complied with the other requirements applicable to insiders or promoters under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 or any modification or re-enactment thereto?	

S. No.	Reg.	Compliance Requirement	Documents/ Information to be checked/verified
9.	4	Whether the terms of contract/ agreement of an employee nominated by an institution as the director of listed entity provide for eligibility to participate in the Scheme(s) of the Company?	Copy of contract/ agreement entered into between the institution and the director so appointed
10.	5	Whether the listed entity has constituted compensation committee or designated Nomination and Remuneration Committee for administration of the scheme(s)?	Board Resolution
11.	6(1)	Whether the scheme has been approved/amended by the shareholders through special resolution?	<ul style="list-style-type: none"> <li>• Special resolution</li> <li>• Corporate Actions</li> </ul>
12.	6(2)	Whether the explanatory statement to the notice and resolution proposed to be passed for approving the scheme(s) contain information specified in Part C of Schedule – I of the regulation?	<ul style="list-style-type: none"> <li>• Copy of notice of AGM/EGM approving the Scheme(s) or amending the scheme/ approving the expansion of ESOP Pool/ approving the adjustment pursuant to the corporate action</li> </ul>
13.	6(3)	Whether approval of shareholders by way of separate special resolution is obtained for implementing Scheme(s) through secondary acquisition/grant of option under Regulation 6 (3)?	<ul style="list-style-type: none"> <li>• Special resolution</li> <li>• Minutes of AGM/EGM</li> </ul>
14.	7(1)	Whether approval of shareholders has been obtained for varying of terms of the scheme(s)?	<ul style="list-style-type: none"> <li>• Special resolution</li> <li>• Minutes of AGM/EGM</li> </ul>



S. No.	Reg.	Compliance Requirement	Documents/ Information to be checked/verified
15.	7(5)	Whether approval of shareholders has been obtained for repricing the options, SAR or shares which are not exercised?	<ul style="list-style-type: none"> <li>• Special resolution</li> <li>• Minutes of AGM/EGM</li> </ul>
16.	8	Whether approval of shareholders is obtained for transferring excess monies or shares, remaining with the trust on winding up of a scheme, to another scheme on recommendation of compensation committee?	<ul style="list-style-type: none"> <li>• Special resolution</li> <li>• Minutes of AGM/EGM</li> <li>• Bank Statement of the account opened in this regard</li> </ul>
17.	10(c)	Whether the company notifies the recognized stock exchange(s) as and when the exercise is made?	Certified copy of statement filed with the recognized stock exchange(s)
18.	12(3)	Whether in principal approval from the recognized stock exchange(s) is obtained in case of new issue of shares made under any scheme?	In principal approval
19.	14	In addition to the information that a listed entity is required to disclose in relation to employee benefits under the Companies Act, 2013, whether the Board of Directors of such a listed company have disclosed the details of the scheme(s) being implemented, as specified by SEBI in Part F of Schedule I this regard?	<ul style="list-style-type: none"> <li>• Board Report and Website of the listed entity</li> <li>• Weblink provided in Director's Report</li> <li>• The contents of Disclosure documents need to be checked</li> </ul>
<b>Additional verifications</b>			
1.	-	Authorisation to Implement/Amend Scheme(s)	<ul style="list-style-type: none"> <li>• Articles of Association of the Company</li> <li>• Scheme received from /furnished by the Company</li> </ul>

S. No.	Reg.	Compliance Requirement	Documents/ Information to be checked/verified
2.	6(2)	Approval of Board of Directors- <ul style="list-style-type: none"> <li>• Scheme</li> <li>• Notice and explanatory statement of general meeting for approval of Scheme containing information specified in Part C- Schedule I</li> </ul>	<ul style="list-style-type: none"> <li>• Certified copy of Board Resolution</li> <li>• Minutes of the meeting of the Board of Directors</li> </ul>
3.	6(1) & 6(3)	Approval of Scheme(s) by members	<ul style="list-style-type: none"> <li>• Certified copy of special resolution passed by members for approval of scheme and MGT 14</li> <li>• Certified copy of special resolution passed for approving grants under Regulation 6(3) and MGT 14</li> <li>• Minutes of the AGM/ EGM</li> </ul>
4	7	Variation of Scheme(s) approved by members	<ul style="list-style-type: none"> <li>• Certified copy of special resolution passed by members and MGT 14</li> <li>• Minutes of the General Meetings w.r.t variation in the scheme</li> </ul>
5.	4	Employee Eligibility	<ul style="list-style-type: none"> <li>• Minutes of meeting of Compensation Committee</li> <li>• Employment contract/ agreement</li> <li>• Scheme</li> </ul>

S. No.	Reg.	Compliance Requirement	Documents/ Information to be checked/verified
6.	5(2)	Constitution of Compensation Committee/ Designation of Nomination and Remuneration Committee as Compensation Committee	<ul style="list-style-type: none"> <li>• Board Resolution</li> <li>• Constitution in accordance with Regulation 19 of SEBI (LODR) Regulations, 2015</li> </ul>
7.	5(3)	Detailed Terms and Conditions of Scheme(s) formulated and approved by Compensation Committee by Compensation Committee/NRC	<ul style="list-style-type: none"> <li>• Formulated in accordance with Part B- Schedule I</li> <li>• Minutes of the meetings of the Compensation Committee/ NRC</li> </ul>
8.	----	----	Details of trades in the securities of the company executed by the trust through which the scheme is implemented
9.	----	----	Relevant Accounting Standards as prescribed by the Central Government
10.	----	----	Detailed terms and conditions of the scheme as approved by Compensation Committee
11.	----	----	Bank Statements towards Application money received under the scheme(s)

S. No.	Reg.	Compliance Requirement	Documents/ Information to be checked/verified
12.		----	Valuation Report
13.		----	Exercise Price / Pricing formula

<b>Compliance Certificate under Regulation 26(3) / 27(4)</b>		
S. No.	Compliance Requirement	Basic Documents / Information to be checked/ verified
1	<ul style="list-style-type: none"> <li>Total asset value of the scheme</li> <li>Beneficiaries of the Scheme</li> </ul>	<ul style="list-style-type: none"> <li>Scheme(s) received from/furnished by the Company</li> <li>Valuation Reports / workings furnished by the Company</li> </ul>
2	Approval of Board of Directors- <ul style="list-style-type: none"> <li>Scheme</li> <li>Notice and explanatory statement of general meeting for approval of Scheme containing information specified in Part C- Schedule I</li> </ul>	<ul style="list-style-type: none"> <li>Certified copy of Board Resolution</li> <li>Minutes of the meeting of the Board of Directors</li> </ul>
3	Date of shareholder approval	Shareholders resolutions passed at the General Meeting
4	Variation in scheme(s)	Shareholders resolution passed at General Meetings w.r.t variation in the scheme (if any)
5	Quantum of holding in own shares / Holding company Shares	Balance Sheet (audited/ limited reviewed) and other accounting records of the Company and the Fund/Scheme

<b>Compliance Certificate under Regulation 36</b>			
<b>S. No.</b>	<b>Reg.</b>	<b>Compliance Requirement</b>	<b>Basic Documents/ Information to be checked/ verified</b>
1.	-	Authorisation to issue to sweat equity shares to employees	The Articles of Association of the Company
2.	30	Approval of Board of Directors- <ul style="list-style-type: none"> <li>• Proposal to issue sweat equity shares</li> <li>• Notice and explanatory statement of general meeting containing disclosure as Specified in Schedule – II of the New regulations</li> </ul>	Certified copy of Board Resolution(s) passed at the meeting of the Board of Directors
3.	32	Approval of shareholders to issue sweat equity shares to employees	Certified copy of Special resolution(s) authorizing the issue
4.	31	Quantum of sweat equity issues and allotment of shares	<ul style="list-style-type: none"> <li>• Paid-up Share Capital of the Company</li> <li>• Register of Sweat Equity Shares</li> <li>• Bank Statements towards Application money received under the scheme(s) (if any)</li> </ul>
5.	33	<ul style="list-style-type: none"> <li>• Valuation by Merchant Banker</li> <li>• Certificate from an independent chartered accountant certifying that the valuation of the know-how or</li> </ul>	<ul style="list-style-type: none"> <li>• Certified copy of certificate issued by an independent Chartered Accountant</li> <li>• Valuation Report/basis of valuation</li> </ul>

S. No.	Reg.	Compliance Requirement	Basic Documents/ Information to be checked/ verified
		intellectual property rights or value addition is in accordance with the relevant accounting standards for issue of sweat equity shares	
6.	35	Accounting treatment of sweat equity shares issued for non-cash consideration	<ul style="list-style-type: none"> <li>• Books of account</li> <li>• Register of Sweat Equity Shares</li> </ul>
7.	37	Issue of sweat equity shares to any director or manager for non-cash consideration which does not take the form of an asset which can be carried to the Balance sheet of the Company	Conformity with the ceiling limit on managerial remuneration
8.	39	Listing of Sweat Equity Shares	<ul style="list-style-type: none"> <li>• In- principal approval</li> <li>• Listing/ Trading Approval from Stock Exchange(s)</li> </ul>

**SUGGESTIVE FORMATS:****COMPLIANCE CERTIFICATE**

**[Pursuant to Regulation 10(b) read with Part D of Schedule-I of the Securities Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021]**

To,

**The Board of Directors,**

\_\_\_\_\_ **Limited**

I/We \_\_\_\_\_, Company Secretary in practice have been appointed as the Secretarial Auditor vide a resolution passed at its meeting held on ..... by the Board of Directors of \_\_\_\_\_ Limited (hereinafter referred to as '**the Company**'), having CIN \_\_\_\_\_ and having its registered office at \_\_\_\_\_. This Certificate is issued under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as "**the Regulations**").

**Management Responsibility:**

It is the responsibility of the Management of the Company to implement the scheme(s) including designing, maintaining records and devising proper systems and effective internal controls to ensure compliance with the provisions of all applicable laws and regulations.

**Verification:**

The members of the Company in their General Meeting held on \_\_\_\_\_ have passed Special Resolution, approving the \_\_\_\_\_ (Name of the Scheme) viz. Employee Stock Option Scheme/ Employee Stock Purchase Scheme/ Stock Appreciation Rights Scheme/ General Employee Benefits Scheme/ Retirement Benefit Scheme (hereinafter after referred as 'Scheme').

For the purpose of verifying the compliance of the Regulations, I/we have examined the following documents:

1. Scheme received from/furnished by the Company;

2. The Articles of Association of the Company;
3. Minutes of the meeting of the Board of Directors;
4. Minutes of the General Meeting held for approving the scheme;
5. Minutes of the General Meetings w.r.t variation in the scheme (if any);
6. Minutes of the meetings of the Compensation Committee/Nomination and Remuneration Committee;
7. Trust Deed;
8. Detailed Terms and Conditions of the scheme as approved by Compensation Committee;
9. Relevant provisions of the Regulations, Companies Act, 2013 and Rules made thereunder;
10. Other relevant document/ filing/ records/ information such as ..... (additional documents examined) as sought and made available to us and the explanations provided by the Company.

**Certification:**

In my/our opinion and to the best of my/our knowledge and according to the verifications as considered necessary and explanations furnished to me/us by the Company and its Officers, I/we certify that the <Name of the Scheme>, is in compliance with the applicable provisions of the Regulations.

**Assumption & Limitation of Scope and Review:**

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.
2. Our responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
3. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
4. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for obtaining in principal approval from recognised stock exchange(s) in accordance with Regulation 10 (b) of the Regulations.



For XYZ & Associates

Company Secretaries

Name .....

FCS .....

CP .....

PR .....

UDIN .....

Date.....

Place.....

**COMPLIANCE CERTIFICATE**

**[Pursuant to Regulation 13 of the Securities Exchange Board of India  
(Share Based Employee Benefits and Sweat Equity) Regulations, 2021]**

To,

**The Members,**

\_\_\_\_\_ **Limited**

I/We \_\_\_\_\_, Company Secretary in practice, have been appointed as the Secretarial Auditor vide a resolution passed at its meeting held on \_\_\_\_\_ by the Board of Directors of \_\_\_\_\_ Limited (hereinafter referred to as '**the Company**'), having CIN \_\_\_\_\_ and having its registered office at \_\_\_\_\_ in its meeting held on \_\_\_\_\_. This certificate is issued under Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as "**the Regulations**"), for the year ended \_\_\_\_\_.

**Management Responsibility:**

It is the responsibility of the Management of the Company to implement the Scheme(s) including designing, maintaining records and devising proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Verification:**

The Company has implemented (Name of the Schemes) viz Employee Stock Option Scheme/ Employee Stock Purchase Scheme/ Stock Appreciation Rights Scheme/ General Employee Benefits Scheme/ Retirement Benefit Scheme in accordance with the Regulations and the Special Resolution(s) passed by the members at the General Meeting (s) of the Company held on \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ respectively.

For the purpose of verifying the compliance of the Regulations, I/We have examined the following:

1. Scheme(s) received from/furnished by the Company;
2. Articles of Association of the Company;
3. Resolutions passed at the meeting of the Board of Directors;

4. Shareholders resolutions passed at the General Meeting(s);
5. Shareholders resolution passed at General Meetings w.r.t variation in the scheme (if any);
6. Shareholders resolution passed at General Meeting w.r.t approval for implementing the scheme(s) through a trust(s);
7. Minutes of the meetings of the Compensation Committee;
8. Trust Deed;
9. Details of trades in the securities of the company executed by the trust through which the scheme is implemented;
10. Relevant Accounting Standards as prescribed by the Central Government;
11. Detailed terms and conditions of the scheme as approved by Compensation Committee;
12. Bank Statements towards Application money received under the scheme(s);
13. Valuation Report;
14. Exercise Price / Pricing formula;
15. Statement filed with recognised Stock Exchange(s) in accordance with Regulation 10 of these Regulations;
16. Disclosure by the Board of Directors;
17. Relevant provisions of the Regulations, Companies Act, 2013 and Rules made thereunder;
18. Other relevant document/ filing/ records/ information such as ..... (additional documents examined) as sought and made available to us and the explanations provided by the Company.

**Certification:**

In my/our opinion and to the best of my/our knowledge and according to the verifications as considered necessary and explanations furnished to me/us by the Company and its Officers, I/we certify that the Company has implemented the (Name of Schemes) Employee Stock Option Scheme/ Employee Stock Purchase Scheme/ Stock Appreciation Rights Scheme/ General Employee Benefits Scheme/ Retirement Benefit Scheme in accordance with the

applicable provisions of the Regulations and Resolution(s) of the Company in the General Meeting(s).

**Assumption & Limitation of Scope and Review:**

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.
2. Our responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
3. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
4. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

For XYZ & Associates

Company Secretaries

Name .....

FCS .....

CP .....

PR .....

UDIN .....

Date.....

Place.....

**COMPLIANCE CERTIFICATE**

**[Pursuant to Regulation 26(3) / 27(4) of Securities Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021]**

To,

**The Members,**

\_\_\_\_\_ **Limited**

I/We \_\_\_\_\_ Company Secretary in practice, have been appointed as the Secretarial Auditor vide a resolution passed at its meeting held on \_\_\_\_\_ by the Board of Directors of \_\_\_\_\_ Limited (hereinafter referred to as '**the Company**'), having CIN \_\_\_\_\_ and having its registered office at \_\_\_\_\_. The Certificate is issued under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as "**the Regulations**').

**Management Responsibility:**

It is the responsibility of the Management of the Company to implement the Scheme(s) including designing, maintaining records and devising proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Verification:**

The Company has implemented \_\_\_\_\_ (Fund/Scheme name(s)) General Employee Benefits Scheme/Retirement Benefit Scheme in accordance with the Special Resolution passed by the members of the Company in their General meeting held on \_\_\_\_\_.

For the purpose of verifying the compliance of the Regulations, I/We have examined the following:

1. Scheme(s) received from/furnished by the Company;
2. The Articles of Association of the Company;
3. Resolutions passed at the meeting of the Board of Directors;
4. Shareholders resolutions passed at the General Meeting;

5. Shareholders resolution passed at General Meetings w.r.t variation in the scheme (if any);
6. Balance Sheet (audited/limited reviewed) and other accounting records of the Company and the Fund/Scheme;
7. Other relevant document/ filing/ records/ information such as ..... (additional documents examined) as sought and made available to us and the explanations provided by the Company.

**Certification:**

In my/our opinion and to the best of my/our knowledge and according to the verifications as considered necessary and explanations furnished to me/us by the Company and its Officers, I/We certify that

- a. The Total asset value of the scheme as on Financial Year ending \_\_\_\_\_ is placed at Annexure I.
- b. The Scheme holds \_\_\_\_\_ no. of Equity shares of Rs. \_\_\_/- (market value) each of the Company or of its listed Holding Company aggregating to \_\_\_\_\_% of total assets of the Scheme, which does not exceed 10% of the book value or fair value or market value (whichever is lower) of the total assets of the scheme as appearing in the (Limited reviewed /Audited) balance sheet for the Financial Year ending \_\_\_\_\_.

**Assumption & Limitation of Scope and Review:**

1. Ensuring the authenticity of documents and information furnished (including the Limited reviewed /Audited balance sheet for the Financial Year ending) is the responsibility of the Board of Directors of the Company.
2. Our responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
3. For the purpose of calculating the market value of equity shares of the Company, since the Company is listed on \_\_\_\_\_ Stock Exchange(s), we have considered the Closing price as on \_\_\_\_\_ (last trading day) of \_\_\_\_\_ Stock Exchange (wherein the highest volume was traded as on \_\_\_\_\_ (last trading day)).
4. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

- 5. This certificate is solely for your information and it is not to be used, circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

For XYZ & Associates

Company Secretaries

Name .....

FCS .....

CP .....

PR .....

UDIN .....

Date.....

Place.....

**Annexure I**

The value of the Total asset of the \_\_\_\_\_ Scheme as on Financial Year ending \_\_\_\_\_ as per various specified methods are as follows:

<b>S. No</b>	<b>Valuation Method</b>	<b>Total Asset Value</b>
1.	Book Value	
2.	Market Value	
3.	Fair Value	

**Note:**

Therefore, for the purpose of this certificate, being the lowest value of the above, we have considered \_\_\_\_\_ as the Total Asset Value of the \_\_\_\_\_ Scheme.



**COMPLIANCE CERTIFICATE**

**[Pursuant to Regulation 36 of the Securities Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021]**

To,

**The Members,**

\_\_\_\_\_ **Limited**

I/We \_\_\_\_\_, Company Secretary in practice, have been appointed as the Secretarial Auditor vide the resolution passed at its meeting held on ..... by the Board of Directors of \_\_\_\_\_ Limited (hereinafter referred to as '**the Company**'), having CIN \_\_\_\_\_ and having its registered office at \_\_\_\_\_. This Certificate is issued under the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (hereinafter referred to as "**the Regulations**"). The Equity Shares of the Company are listed on \_\_\_\_\_ (collectively, "**Stock Exchanges**").

**Management Responsibility:**

It is the responsibility of the Management of the Company to implement the issue of Sweat Equity including designing, maintaining records and devising proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

**Verification:**

Pursuant to the provisions of Section 54 of the Companies Act, 2013 read with Rule 8 of the Companies (Share Capital and Debentures) Rules, 2014 or other applicable provisions, if any, and in accordance with the provisions of the Articles of Association of the Company, the Company has issued the Sweat Equity Shares \_\_\_(year), comprising of \_\_\_\_\_ number of Equity Shares representing \_\_\_\_\_% of the existing paid up equity share capital at a discount of \_\_\_\_\_% with face value of INR \_\_\_\_\_ to Employees as per Annexure I. The Sweat Equity Shares have been issued in \_\_\_ tranches on \_\_\_\_\_, \_\_\_\_\_ & \_\_\_\_\_ with a Lock- in period of \_\_\_ years.

For the purpose of verifying the compliance of the Regulations, I/we have examined the following:

1. Resolution(s) passed at the meeting of the Board of Directors;

2. Shareholders Resolution(s) passed at the General Meeting(s);
3. The Articles of Association of the Company;
4. Paid-up Share Capital of the Company;
5. Register of Sweat Equity Shares;
6. Quantum of Sweat Equity issues and allotment of shares;
7. Pricing of Sweat Equity shares in accordance with the pricing requirements stipulated for a preferential issue to a person other than a qualified institutional buyer under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
8. Bank Statements towards Application money received under the scheme(s);
9. Ceiling limit on managerial remuneration;
10. Other relevant document/ filing/ records/ information such as ..... (additional documents examined) as sought and made available to us and the explanations provided by the Company.

**Certification:**

In my/our opinion and to the best of my/our knowledge and according to the verifications as considered necessary and explanations furnished to me/us by the Company and its Officers, I/we certify that the Company has issued the Employee Sweat Equity Shares \_\_\_ (year), in accordance with the applicable provisions of Regulations and the Special Resolution passed by the members of the Company in their General Meeting held on \_\_\_\_\_. The percentage of the Sweat equity shares is \_\_\_ of the total post-issue capital.

**Assumption & Limitation of Scope and Review:**

1. Ensuring the authenticity of documents and information furnished is the responsibility of the Board of Directors of the Company.
2. Our responsibility is to give certificate based upon our examination of relevant documents and information. It is neither an audit nor an investigation.
3. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.
4. This certificate is solely for your information and it is not to be used,

circulated, quoted, or otherwise referred to for any purpose other than for the Regulations.

For XYZ & Associates

Company Secretaries

Name .....

FCS .....

CP .....

PR .....

UDIN .....

Date.....

Place.....

**Annexure I**

The Company has issued the Sweat Equity Shares\_\_\_ (year) to Employees as follows:

<b>S. No</b>	<b>Name of Employee</b>	<b>Number of Shares Issued</b>	<b>% of existing paid up equity share capital</b>

**APPENDIX-I****THE GAZETTE OF INDIA  
EXTRAORDINARY PART III – SECTION 4  
PUBLISHED BY AUTHORITY SECURITIES AND  
EXCHANGE BOARD OF INDIA NOTIFICATION****Mumbai, the 13<sup>th</sup> August, 2021****SECURITIES AND EXCHANGE BOARD OF INDIA (SHARE BASED  
EMPLOYEE BENEFITS AND SWEAT EQUITY) REGULATIONS, 2021**

**No. SEBI/LAD-NRO/GN/2021/40.** – In exercise of the powers conferred by sections 11, 11A and 30 of the Securities and Exchange Board of India Act, 1992 (15 of 1992) read with sections 54 and 62 of the Companies Act, 2013 (18 of 2013) and rules 8 and 12 of the Companies (Share Capital and Debentures) Rules, 2014, to provide for regulation of sweat equity shares and all schemes by companies for the benefit of their employees involving dealing in shares, directly or indirectly, with a view to facilitate smooth operation of such schemes while preventing any possible manipulation and matters connected therewith or incidental thereto, the Securities and Exchange Board of India hereby makes the following regulations, namely: –

**CHAPTER I  
PRELIMINARY****1. Short title, commencement and application.**

(1) These regulations may be called the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

(2) They shall come into force on the date of their publication in the Official Gazette.

(3) The provisions of these regulations shall apply to the following: -

- (i) employee stock option schemes;
- (ii) employee stock purchase schemes;
- (iii) stock appreciation rights schemes;
- (iv) general employee benefits schemes;
- (v) retirement benefit schemes; and

(vi) sweat equity shares.

(4) The provisions of these regulations shall apply to any company whose equity shares are listed on a recognised stock exchange in India and who seeks to issue sweat equity shares or has a scheme:-

- (i) for direct or indirect benefit of employees;
- (ii) involving dealing in or subscribing to or purchasing securities of the company, directly or indirectly; and
- (iii) satisfying, directly or indirectly, any one of the following conditions:-
  - a. the scheme is set up by the company or any other company in its group.
  - b. the scheme is funded or guaranteed by the company or any other company in its group.
  - c. the scheme is controlled or managed by the company or any other company in its group.

(5) The provisions pertaining to preferential issue as specified in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 shall not be applicable in case of a company issuing new shares in pursuance and compliance of these regulations except wherever specifically provided for in these regulations.

## **2. Definitions.**

(1) In these regulations, unless the context otherwise requires, the following words, expressions and derivations therefrom shall have the meanings assigned to them as under, –

- a. “Act” means the Securities and Exchange Board of India Act, 1992 (15 of 1992);
- b. “appreciation” means the difference between the market price of the share of a company on the date of exercise of SAR or the date of vesting of SAR, as the case may be, and the SAR price;
- c. “associate company” shall have the same meaning as defined under section 2(6) of the Companies Act, 2013 (18 of 2013);
- d. “Board” means the Securities and Exchange Board of India;
- e. “company” shall have the same meaning as defined under section 2(20) of the Companies Act, 2013 (18 of 2013);

- f. “control” shall have the same meaning as defined under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
- g. “director” shall have the same meaning as defined under section 2(34) of the Companies Act, 2013 (18 of 2013);
- h. “emergency” means a situation wherein the trust is in need of funds to meet the commitment(s) arising out of the objective(s) of the scheme;
- i. “employee”, except in relation to issue of sweat equity shares, means, –
  - (i) an employee 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 employee as defined in sub-clauses (i) or (ii), of a group 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 employee who is a promoter or a person belonging to the promoter group; or
    - (b) a director who, either himself or through his relative or through any body corporate, directly or indirectly, holds more than ten per cent of the outstanding equity shares of the company;
- j. “employee stock option scheme or ESOS” means a scheme under which a company grants employee stock options to employees directly or through a trust;
- k. “employee stock purchase scheme or ESPS” means a scheme under which a company offers shares to employees, as part of public issue or otherwise, or through a trust where the trust may undertake secondary acquisition for the purposes of the scheme;
- l. “exercise” means making of an application by an employee to the company or to the trust for issue of shares or appreciation in form of cash, as the case may be, against vested options or vested SARs in pursuance of the schemes covered under Part A or Part C of Chapter III of these regulations, as the case may be;

- m. “exercise period” means the time period after vesting within which an employee can exercise his/her right to apply for shares against the vested option or appreciation against vested SAR in pursuance of the schemes covered under Part A or Part C of Chapter III of these regulations, as the case may be;
- n. “exercise price” means the price, if any, payable by an employee for exercising the option or SAR granted to such an employee in pursuance of the schemes covered under Part A or Part C of Chapter III of these regulations, as the case may be;
- o. “general employee benefits scheme or GEBS” means any scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for the purpose of employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such company;
- p. “grant” means the process by which the company issues options, SARs, shares or any other benefits under any of the schemes;
- q. “grant date” means the date on which the compensation committee approves the grant.

*Explanation.* – For accounting purposes, the grant date will be determined in accordance with applicable accounting standards;
- r. “group” means two or more companies which, directly or indirectly, are in a position to –
  - (i) exercise twenty-six per cent. or more of the voting rights in the other company; or
  - (ii) appoint more than fifty per cent. of the members of the Board of Directors in the other company; or
  - (iii) control the management or affairs of the other company;
- s. “ICAI” means the Institute of Chartered Accountants of India;
- t. “insider” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
- u. “independent director” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;



- v. “initial public offer or IPO” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- w. “key managerial personnel” shall have the same meaning as defined under section 2(51) of the Companies Act, 2013 (18 of 2013);
- x. “market price” means the latest available closing price on a recognised stock exchange on which the shares of the company are listed on the date immediately prior to the relevant date.

*Explanation.* – If such shares are listed on more than one recognised stock exchange, then the closing price on the recognised stock exchange having higher trading volume shall be considered as the market price;

- y. “merchant banker” means a merchant banker as defined under regulation 2(1)(cb) of the Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, which is registered under section 12 of the Act;
- z. “option” means the option given to an employee which gives such an employee a right to purchase or subscribe at a future date, the shares offered by the company, directly or indirectly, at a pre-determined price;
- aa. “option grantee” means an employee having a right but not an obligation to exercise an option in pursuance of an ESOS;
- bb. “pre-IPO scheme” means any scheme formulated prior to the initial public offer of the company and prior to the listing of its equity shares on a recognised stock exchange;
- cc. “promoter” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- dd. “promoter group” shall have the same meaning assigned to it under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018;
- ee. “recognised stock exchange” means a stock exchange which has been granted recognition under section 4 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- ff. “registrar” means a registrar to an issue as defined under regulation 2(f) of the Securities and Exchange Board of India (Registrars to an

Issue and Share Transfer Agents) Regulations, 1993 and includes a share transfer agent as defined under regulation 2(g) thereof, which is registered under section 12 of the Act;

- gg. “relative” shall have the same meaning as defined under section 2(77) of the Companies Act, 2013 (18 of 2013);
- hh. “relevant date” means,-
  - (i) in the case of grant, the date of the meeting of the compensation committee on which the grant is made; or
  - (ii) in the case of exercise, the date on which the notice of exercise is given to the company or to the trust by the employee;
- ii. “retirement benefit scheme or RBS” means a scheme of a company framed in accordance with these regulations, dealing in shares of the company or the shares of its listed holding company, for providing retirement benefits to the employees subject to compliance with existing rules and regulations as applicable under laws relevant to retirement benefits in India;
- jj. “SAR grantee” means an employee to whom a SAR is granted;
- kk. “SAR price” means the base price defined on the grant date of SAR for the purpose of computing appreciation;
- ll. “scheme” means a scheme of a company proposing to provide share based benefits to its employees under Chapters III of these regulations, which may be implemented and administered directly by such company or through a trust, in accordance with these regulations;
- mm. “securities” means securities as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956 (42 of 1956);
- nn. “secondary acquisition” means acquisition of existing shares of the company by the trust on the platform of a recognised stock exchange for cash consideration;
- oo. “secretarial auditor” means a company secretary in practice appointed by a company under rule 8 of the Companies (Meetings of Board and its Powers) Rules, 2014 to conduct secretarial audit pursuant to regulation 24A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- pp. “share” means equity shares and securities convertible into equity shares and includes American Depository Receipts, Global Depository

Receipts or other depository receipts representing underlying equity shares or securities convertible into equity shares;

- qq. “stock appreciation right or SAR” means a right given to a SAR grantee entitling him to receive appreciation for a specified number of shares of the company where the settlement of such appreciation may be made by way of cash payment or shares of the company.

*Explanation 1.* – A SAR settled by way of shares of the company shall be referred to as equity settled SAR.

*Explanation 2.* – For the purpose of these regulations, any reference to stock appreciation right or SAR shall mean equity settled SARs and does not include any scheme which does not, directly or indirectly, involve dealing in or subscribing to or purchasing, securities of the company.

- rr. “stock appreciation right scheme or SAR scheme” means a scheme under which a company grants SAR to employees;
- ss. “sweat equity shares” means sweat equity shares as defined in sub-section (88) of section 2 of the Companies Act, 2013 (18 of 2013);
- tt. “Schedule” means a schedule annexed to these regulations;
- uu. “trust” means a trust established under the provisions of the Indian Trusts Act, 1882 (2 of 1882) including any statutory modification or re-enactment thereof, for implementing any of the schemes covered by these regulations;
- vv. “trustee” means the trustee of the trust;
- ww. “valuer” means an independent chartered accountant or a merchant banker appointed to determine the valuation of know-how or intellectual property rights or value addition;
- xx. “vesting” means the process by which the employee becomes entitled to receive the benefit of a grant made to him/her under any of the schemes;
- yy. “vesting period” means the period during which the vesting of option, SAR or a benefit granted under any of the schemes takes place;

(2) Words and expressions used and not defined in these regulations but defined in the Act, the Securities Contracts (Regulation) Act, 1956 (42 of 1956) or the Companies Act, 2013 (18 of 2013) and any statutory modification or re-enactment thereto, shall have the meanings respectively assigned to them in those legislations.

**CHAPTER II**  
**SCHEMES – IMPLEMENTATION AND PROCESS**

**3. Implementation of schemes through trust.**

(1) A company may implement a scheme(s) either directly or by setting up an irrevocable trust(s):

Provided that if the scheme is to be implemented through a trust, the same has to be decided upfront at the time of taking approval of the shareholders for setting up the scheme(s):

Provided further that if prevailing circumstances so warrant, the company may change the mode of implementation of the scheme subject to the condition that a fresh approval of the shareholders by a special resolution is obtained prior to implementing such a change and that such a change is not prejudicial to the interests of the employees:

Provided further that if the scheme(s) involves secondary acquisition or gift or both, then it shall be mandatory for the company to implement such scheme(s) through a trust(s).

(2) A company may implement several schemes as permitted under these regulations through a single trust:

Provided that such single trust shall keep and maintain proper books of account, records and documents for each scheme so as to explain its transactions and to disclose at any point of time, the financial position of each scheme and in particular give a true and fair view of the state of affairs of each scheme.

(3) The trust deed, under which the trust is formed, shall contain provisions as specified in Part A of Schedule – I of these regulations and such trust deed and any modifications thereto shall be mandatorily filed with the recognised stock exchange(s) in India where the shares of the company are listed.

(4) Any person can be appointed as a trustee of the trust, except in cases where such person –

- i. is a director, key managerial personnel or promoter of the company or its group company including its holding, subsidiary or associate company or any relative of such director, key managerial personnel or promoter; or
- ii. beneficially holds ten percent or more of the paid-up share capital or the voting rights of the company:

Provided that where individual(s) or “one person company” as defined under the Companies Act, 2013 (18 of 2013) is appointed as trustee(s), there shall be a minimum of two such trustees, and in case a corporate entity is appointed as a trustee, then it may be the sole trustee.

(5) The trustees of a trust, which is governed under these regulations, shall not vote in respect of the shares held by such trust, so as to avoid any misuse arising out of exercising such voting rights.

(6) The trustee should ensure that the requisite approval from the shareholders has been obtained by the company in order to enable the trust to implement the scheme(s) and undertake secondary acquisition for the purposes of the scheme(s).

(7) The trust shall not deal in derivatives and shall undertake only delivery-based transactions for the purposes of secondary acquisition as permitted by these regulations.

(8) Subject to the requirements of the Companies Act, 2013 (18 of 2013) read with Companies (Share Capital and Debenture) Rules, 2014, as amended from time to time, as may be applicable, the company may lend monies to the trust on appropriate terms and conditions to acquire the shares either through new issue or secondary acquisition, for the purpose of implementation of the scheme(s).

(9) For the purpose of disclosures to the recognised stock exchange, the shareholding of the trust shall be shown as “non-promoter and non-public” shareholding.

*Explanation.* – The shares held by the trust shall not form part of the public shareholding which needs to be maintained at a minimum of twenty five per cent as prescribed under the Securities Contracts (Regulation) Rules, 1957.

(10) Secondary acquisition in a financial year by the trust shall not exceed two per cent of the paid up equity capital of the company as at the end of the previous financial year.

(11) The total number of shares under secondary acquisition held by the trust shall at no point of time exceed the below mentioned limits as a percentage of the paid up equity capital of the company as at the end of the financial year immediately prior to the year in which the shareholders’ approval is obtained for such secondary acquisition:

Sr. No.	Particulars	Limit
A	For the schemes enumerated in Part A, Part B or Part C of Chapter III of these regulations	5%
B	For the schemes enumerated in Part D or Part E of Chapter III of these regulations	2%
C	For all the schemes in aggregate	5%

*Explanation 1.* – The above limits shall automatically include within their ambit the expanded or reduced capital of the company where such expansion or reduction has taken place on account of corporate action(s) including issue of bonus shares, split, rights issue, buy-back or scheme of arrangement.

*Explanation 2.* – If a company has multiple trusts and schemes, the aforesaid ceiling limit shall be applicable for all such trusts and schemes taken together at the company level and not at the level of individual trust or scheme.

*Explanation 3.* – The above ceiling limit will not be applicable where shares are allotted to the trust by way of new issue or gift from promoter or promoter group or other shareholders.

*Explanation 4.* – In the event that the options, shares or SAR granted under any of the schemes exceeds the number of shares that the trust may acquire through secondary acquisition, then such shortfall of shares shall be made up by the company through new issue of shares to the trust in accordance with the provisions of new issue of shares under the applicable laws.

(12) The unappropriated inventory of shares which are not backed by grants, acquired through secondary acquisition by the trust under Part A, Part B or Part C of Chapter III of these regulations, shall be appropriated within a reasonable period which shall not extend beyond the end of the subsequent financial year, or the second subsequent financial year subject to approval of the compensation committee/nomination and remuneration committee for such extension to the second subsequent financial year.

(13) The trust shall be required to hold the shares acquired through secondary acquisition for a minimum period of six months except where they are required to be transferred in the circumstances enumerated in clause (b) of sub-regulation (14), whether off-market or on the platform of recognised stock exchange.

(14) The trust shall be permitted to undertake off-market transfer of shares only under the following circumstances: -

- (a) transfer to the employees pursuant to scheme(s);
- (b) while participating in an open offer under the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 or while participating in a buy-back, delisting or any other exit offered by the company generally to its shareholders.

(15) The trust shall not become a mechanism for trading in shares and hence shall not sell the shares in secondary market except under the following circumstances:

- (a) to enable the employee to fund the payment of the exercise price, the amount necessary to meet his/her tax obligations and other related expenses pursuant to exercise of options granted under the ESOS;
- (b) on vesting or exercise, as the case may be, of SAR under the scheme covered by Part C of Chapter III of these regulations;
- (c) in case of emergency for implementing the schemes covered under Part D and Part E of Chapter III of these regulations, and for this purpose -
  - (i) the trustee(s) shall record the reasons for such sale; and
  - (ii) money so realised on sale of shares shall be utilised within a definite time period as stipulated under the scheme or trust deed.
- (d) participation in buy-back or open offers or delisting offers or any other exit offered by the company generally to its shareholders, if required;
- (e) for repaying the loan, if the unappropriated inventory of shares held by the trust is not appropriated within the timeline as provided under sub-regulation (12);
- (f) winding up of the scheme(s); and
- (g) based on approval granted by the Board to an applicant, for the reasons recorded in writing in respect of the schemes covered by Part A or Part B or Part C of Chapter III of these regulations, upon payment of a non-refundable fee of rupees one lakh to the Board along with the application by way of direct credit in the bank account through NEFT/RTGS/IMPS or any other mode allowed by the Reserve Bank of India.

(16) The trust shall be required to make disclosures and comply with the other requirements applicable to insiders or promoters under the Securities and

Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 or any modification or re-enactment thereto.

#### **4. Eligibility.**

An employee shall be eligible to participate in the schemes of the company as determined by the compensation committee.

Explanation. – Where such employee is a director nominated by an institution as its representative on the Board of Directors of the company –

- (i) the contract or agreement entered into between the institution nominating its employee as the director of a company and the director so appointed shall, *inter alia*, specify the following:-
  - a. whether the grants by the company under its scheme(s) can be accepted by the said employee in his capacity as director of the company;
  - b. that grant if made to the director, shall not be renounced in favour of the nominating institution; and
  - c. the conditions subject to which fees, commissions, other incentives, etc. can be accepted by the director from the company.
- (ii) the institution nominating its employee as a director of the company shall file a copy of the contract or agreement with the said company, which shall, in turn file the copy with all the recognised stock exchanges on which its shares are listed.
- (iii) the director so appointed shall furnish a copy of the contract or agreement at the first board meeting of the company attended by him after his nomination.

#### **5. Compensation committee.**

(1) A company shall constitute a compensation committee for administration and superintendence of the schemes:

Provided that where the scheme is being implemented through a trust the compensation committee shall delegate the administration of such scheme(s) to the trust.

(2) The compensation committee shall be a committee of such members of the Board of Directors of the company as provided under regulation 19 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time:



Provided that a company may also opt to designate its nomination and remuneration committee as the compensation committee for the purposes of these regulations.

(3) The compensation committee shall, *inter alia*, formulate the detailed terms and conditions of the schemes which shall include the provisions as specified in Part B of Schedule – I of these regulations.

(4) The compensation committee shall frame suitable policies and procedures to ensure that there is no violation of securities laws including the 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, as amended from time to time, by the trust, the company and its employees, as may be applicable.

## **6. Shareholders' approval.**

(1) No scheme shall be offered to employees of a company unless the shareholders of the company approve it by passing a special resolution in the general meeting.

(2) The explanatory statement to the notice and the resolution proposed to be passed by shareholders for the schemes shall contain the information as specified in Part C of Schedule – I of these regulations or as otherwise specified by the Board.

(3) Approval of shareholders by way of separate resolution in the general meeting shall be obtained by the company in case of:

- (a) Secondary acquisition for implementation of the schemes. Explanation.  
– For the purpose of this clause, the approval shall mention the percentage of secondary acquisition (subject to limits specified under these regulations) that can be undertaken;
- (b) Secondary acquisition by the trust in case the share capital expands due to capital expansion undertaken by the company including preferential allotment of shares or qualified institutions placement, to maintain the five per cent. cap specified under sub-regulation (11) of regulation 3 of these regulations, of such increased capital of the company;
- (c) Grant of option, SAR, shares or other benefits, as the case may be, to employees of subsidiary or holding company;
- (d) Grant of option, SAR, shares or benefits, as the case may be, to identified employees, during any one year, equal to or exceeding

one per cent. of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant of option, SAR, shares or incentive, as the case may be.

### **7. Variation of terms of the schemes.**

(1) A company may by special resolution of its shareholders vary the terms of the schemes offered pursuant to an earlier resolution of the general body but not yet exercised by the employees, if such variation is not prejudicial to the interests of the employees

(2) Notwithstanding the provisions of sub-regulation (1), a company shall be entitled to vary the terms of the schemes to meet any regulatory requirement without seeking shareholders' approval by special resolution.

(3) The provisions of regulation 6 of these regulations shall apply to such variation of terms as they apply to the original grant of option, SAR, shares or other benefits, as the case may be.

(4) The notice for passing a special resolution for variation of terms of the schemes shall disclose full details of the variation, the rationale therefor, and the details of the employees who are beneficiaries of such variation.

(5) A company may reprice the options, SAR or shares, as the case may be, which are not exercised, whether or not they have been vested, if the schemes were rendered unattractive due to fall in the price of the shares in the stock market:

Provided that the company ensures that such repricing is not detrimental to the interests of the employees and approval of the shareholders by a special resolution has been obtained for such repricing.

### **8. Winding up of the schemes.**

In case of winding up of the schemes being implemented by a company, the excess monies or shares remaining with the trust after meeting all the obligations, if any, shall be utilised for repayment of loan or by way of distribution to employees or subject to approval of the shareholders, be transferred to another scheme under these regulations, as recommended by the compensation committee.

### **9. Non-transferability.**

(1) Option, SAR or any other benefit granted to an employee under the regulations shall not be transferable to any person.

(2) No person, other than the employee to whom the option, SAR or other

benefit is granted, shall be entitled to the benefit arising out of such option, SAR or other benefit:

Provided that in case of ESOS or SAR, subject to applicable laws, the company or the trustee may fund or permit the empanelled stock brokers to make suitable arrangements to fund the employee for payment of exercise price, the amount necessary to meet his/her tax obligations and other related expenses pursuant to exercise of options granted under the ESOS or SAR and such amount shall be adjusted against the sale proceeds of some or all the shares of such employee.

(3) The option, SAR, or any other benefit granted to the employee shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

(4) In the event of death of the employee while in employment, all the options, SAR or any other benefit granted under a scheme to him/her till his/her death shall vest, with effect from the date of his/her death, in the legal heirs or nominees of the deceased employee, as the case may be.

(5) In case the employee suffers a permanent incapacity while in employment, all the options, SAR or any other benefit granted to him/her under a scheme as on the date of permanent incapacitation, shall vest in him/her on that day.

(6) In the event of resignation or termination of an employee, all the options, SAR or any other benefit which are granted and yet not vested as on that day, shall expire:

Provided that an employee shall, subject to the terms and conditions formulated by the compensation committee under sub-regulation (3) of regulation 5 of these regulations, be entitled to retain all the vested options, SAR or any other benefit covered by these regulations.

Explanation. – The cessation of employment due to retirement or superannuation shall not be covered by this sub-regulation, and such options, SAR or any other benefit granted to an employee would continue to vest in accordance with the respective vesting schedules even after retirement or superannuation in accordance with the company's policies and the applicable law.

(7) In the event that an employee, who has been granted benefits under a scheme, is transferred or deputed to an associate company prior to vesting or exercise, the vesting and exercise as per the terms of grant shall continue in case of such transferred or deputed employee even after the transfer or deputation.

(8) In the event that an employee who has been granted benefits under a scheme, is transferred pursuant to scheme of arrangement, amalgamation, merger or demerger or continued in the existing company, prior to the vesting or exercise, the treatment of options in such case shall be specified in such scheme of arrangement, amalgamation, merger or demerger provided that such treatment shall not be prejudicial to the interest of the employee.

#### **10. Listing.**

In case a new issue of shares is made under any scheme, shares so issued shall be listed immediately on all recognised stock exchange(s) where the existing shares are listed, subject to the following conditions:

- (a) The scheme is in compliance with these regulations;
- (b) A statement, as specified in Part D of Schedule – I of these regulations, is filed and the company obtains an in-principle approval from the recognised stock exchange(s);
- (c) As and when an exercise is made, the company notifies the concerned recognised stock exchange(s) as per the statement as specified in Part E of Schedule – I of these regulations.

#### **11. Schemes implemented by unlisted companies.**

The shares arising after the IPO of an unlisted company, out of options or SAR granted under any scheme prior to its IPO to the employees, shall be listed immediately upon exercise on all the recognised stock exchanges where the shares of the company are listed subject to compliance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 and wherever applicable, sub- regulation (1) of regulation 12 of these regulations.

#### **12. Compliances and conditions.**

(1) No company shall make any fresh grant which involves allotment or transfer of shares to its employees under any scheme formulated prior to its IPO and prior to the listing of its equity shares ('pre-IPO scheme') unless:

- (i) Such pre-IPO scheme is in conformity with these regulations; and
- (ii) Such pre-IPO scheme is ratified by its shareholders subsequent to the IPO:

Provided that the ratification under clause (ii) may be done any time prior to grant of new options or shares or SAR under such pre-IPO scheme.

(2) No change shall be made in the terms of options or shares or SAR issued

under such pre-IPO schemes, whether by repricing, change in vesting period or maturity or otherwise unless prior approval of the shareholders, by way of special resolutions, is taken for such a change, except for any adjustments for corporate actions made in accordance with these regulations.

(3) For listing of shares issued pursuant to ESOS, ESPS or SAR, the company shall obtain the in-principle approval of the recognized stock exchanges where it proposes to list the said shares prior to the grant of options or SARs.

(4) When the holding company issues option, share, SAR or benefits to the employees of its subsidiary, the cost incurred by the holding company for issuing such option, share, SAR or benefits shall be disclosed in the 'notes to accounts' of the financial statements of the subsidiary company.

(5) In a case falling under sub-regulation (4), if the subsidiary reimburses the cost incurred by the holding company in granting option, share, SAR or benefits to the employees of the subsidiary, both the subsidiary as well as the holding company shall disclose the payment or receipt, as the case may be, in the 'notes to accounts' to their financial statements.

(6) The company shall appoint a merchant banker for the implementation of schemes covered by these regulations till the stage of obtaining in-principle approval from the recognized stock exchanges in accordance with clause (b) of regulation 10 of these regulations.

### **13. Certificate from auditors.**

In the case of every company which has passed a resolution for the scheme(s) under these regulations, the Board of Directors shall at each annual general meeting place before the shareholders a certificate from the secretarial auditors of the company that the scheme(s) has been implemented in accordance with these regulations and in accordance with the resolution of the company in the general meeting.

### **14. Disclosures.**

In addition to the information that a company is required to disclose in relation to employee benefits under the Companies Act, 2013 (18 of 2013), the Board of Directors of such a company shall also disclose the details of the scheme(s) being implemented, as specified in Part F of Schedule – I of these regulations.

### **15. Accounting policies.**

Any company implementing any of the share based schemes shall follow the requirements including the disclosure requirements of the Accounting Standards prescribed by the Central Government in terms of section 133

of the Companies Act, 2013 (18 of 2013) including any 'Guidance Note on Accounting for employee share- based Payments' issued in that regard from time to time,

**CHAPTER III**  
**ADMINISTRATION OF SPECIFIC SCHEMES**  
**PART A:**  
**EMPLOYEE STOCK OPTION SCHEME (ESOS)**

**16. Administration and implementation.**

(1) Subject to the provisions of these regulations, an ESOS shall contain the details of the manner in which the scheme will be implemented and operated.

(2) No ESOS shall be offered unless the disclosures, as specified in Part G of Schedule-I of these regulations, are made by the company to the prospective option grantees.

**17. Pricing.**

The company granting options to its employees pursuant to an ESOS shall be free to determine the exercise price subject to conforming to the accounting policies specified in regulation 15 of these regulations.

**18. Vesting period.**

(1) There shall be a minimum vesting period of one year in case of ESOS:

Provided that in case where options are granted by a company under an ESOS in lieu of options held by an employee under an ESOS in another company which has merged, demerged, arranged or amalgamated with the first mentioned company, the period during which the options granted by the transferor company were held by such employee shall be adjusted against the minimum vesting period required under this sub-regulation:

Provided further that in the event of death or permanent incapacity of an employee, the minimum vesting period of one year shall not be applicable and in such instances, the options shall vest in terms of sub-regulation (4) of regulation 9 of these regulations, on the date of the death or permanent incapacity.

*Explanation.* – The company implementing an ESOS shall frame an appropriate policy with respect to the death or permanent incapacity of an employee, subject to compliance with applicable laws.

(2) The company may specify the lock-in period for the shares issued pursuant to exercise of an option.

**19. Rights of the option holder.**

An employee shall not have the right to receive any dividend or to vote or in any manner enjoy the benefits available to a shareholder in respect of an option granted to him/her, till shares are issued to him/her upon exercise of the option.

**20. Consequence of failure to exercise an option.**

The amount paid by the employee, if any, at the time of grant, vesting or exercise of option –

- (a) may be forfeited by the company if the option is not exercised by the employee within the exercise period; or
- (b) may be refunded to the employee if the options are not vested due to non-fulfilment of conditions relating to vesting of option as per the ESOS.

**PART B:  
EMPLOYEE STOCK PURCHASE SCHEME (ESPS)**

**21. Administration and implementation.**

Subject to the provisions of these regulations, an ESPS shall contain the details of the manner in which the scheme will be implemented and operated.

**22. Pricing and lock-in.**

(1) A company may determine the price of shares to be issued under an ESPS, subject to conforming to the accounting policies specified under regulation 15 of these regulations.

(2) Shares issued under an ESPS shall be locked-in for a minimum period of one year from the date of allotment:

Provided that in case where shares are allotted by a company under an ESPS in lieu of shares acquired by the employee under an ESPS in another company which has merged or amalgamated with the first mentioned company, the lock-in period already undergone in respect of shares of the transferor company shall be adjusted against the lock-in period required under this sub-regulation.

Provided further that in the event of death or permanent incapacity of an employee, the requirement of lock-in shall not be applicable from the date of death or permanent incapacity.

(3) If ESPS is part of a public issue and the shares are issued to employees at the same price as in the public issue, the shares issued to employees pursuant to ESPS shall not be subject to any lock-in.

**PART C:**  
**STOCK APPRECIATION RIGHTS SCHEME (SAR SCHEME)**

**23. Administration and implementation.**

(1) Subject to the provisions of these regulations, a SAR scheme shall contain the details of the manner in which the scheme will be implemented and operated.

(2) Subject to the provisions of these regulations, a company shall be free to implement cash settled or equity settled SAR scheme:

Provided that in case of equity settled SAR scheme, if the settlement results in fractional shares, then the consideration for fractional shares should be settled in cash.

(3) No SAR shall be offered under any SAR scheme unless the disclosures, as specified in Part G of Schedule – I of these regulations, are made by the company to the prospective SAR grantees.

**24. Vesting.**

There shall be a minimum vesting period of one year in case of SAR scheme:

Provided that in a case where SAR is granted by a company under a SAR scheme in lieu of SAR held by the employee under a SAR scheme in another company which has merged or amalgamated with the first mentioned company, the period during which the SAR granted by the transferor company were held by the employee shall be adjusted against the minimum vesting period required under this sub-regulation:

Provided further that in the event of death or permanent incapacity, the minimum vesting period of one year shall not be applicable and in such instances, the options shall vest on the date of death or permanent incapacity.

Explanation. – The company implementing a SAR scheme shall frame an appropriate policy with respect to the death or permanent incapacity of an employee, subject to compliance with applicable laws.

**25. Rights of the SAR holder.**

The employee holding a SAR shall not have the right to receive dividend or to vote or in any manner enjoy the benefits available to a shareholder in respect of a SAR granted to him/her.



**PART D:  
GENERAL EMPLOYEE BENEFITS SCHEME (GEBS)**

**26. Administration and implementation.**

(1) Subject to the provisions of these regulations, GEBS shall contain the details of the scheme and the manner in which the scheme shall be implemented and operated.

(2) The shares of the company or shares of its listed holding company shall not exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet (whether audited or limited reviewed) for the purposes of GEBS.

(3) The secretarial auditor of the company shall certify compliance with sub-regulation (2) at the time of adoption of such balance sheet by the company.

**PART E:  
RETIREMENT BENEFIT SCHEME (RBS)**

**27. Administration and implementation.**

(1) Retirement benefit scheme may be implemented by a company subject to compliance with these regulations and provisions of any other law in force in relation to retirement benefits.

(2) The retirement benefit scheme shall contain the details of the benefits under the scheme and the manner in which the scheme shall be implemented and operated.

(3) The shares of the company or shares of its listed holding company shall not exceed ten per cent of the book value or market value or fair value of the total assets of the scheme, whichever is lower, as appearing in its latest balance sheet (whether audited or limited reviewed) for the purposes of RBS.

(4) The secretarial auditor of the company shall certify compliance with sub-regulation (3) at the time of adoption of such balance sheet by the company.

**CHAPTER IV  
ISSUE OF SWEAT EQUITY BY A LISTED COMPANY PART – A**

**28. Applicability**

Nothing contained in this chapter shall apply to an unlisted company:

Provided that an unlisted company coming out with initial public offer and seeking listing of its securities on the recognized stock exchange, pursuant to issue of sweat equity shares, shall comply with the Securities and Exchange

Board of India (Issue of Capital and Disclosure Requirement) Regulations, 2018.

**29. Definition of employee in relation to issue of sweat equity shares:**

For the purpose of this chapter, the term ‘employee’ means,

- (i) an employee of the company working in India or abroad; or
- (ii) a director of the company whether a whole time director or not.

**30. Issue of sweat equity shares to employees.**

A company whose equity shares are listed on a recognised stock exchange may issue sweat equity shares in accordance with section 54 of the Companies Act, 2013 (18 of 2013) and these regulations to its employees for their providing know-how or making available rights in the nature of intellectual property rights or value additions, by whatever name called.

**31. Maximum quantum of sweat equity shares**

A company shall not issue sweat equity shares for more than fifteen percent of the existing paid up equity share capital in a year:

Provided that the issuance of sweat equity shares in the company shall not exceed twenty five percent of the paid up equity share capital of the company at any time:

Provided further that a company listed on Innovators Growth Platform shall be permitted to issue not more than fifteen percent of the paid up equity share capital in a financial year subject to overall limit not exceeding fifty percent of the paid up equity share capital of the company, up to ten years from the date of its incorporation or registration.

**32. Special resolution.**

(1) For the purposes of passing a special resolution under clause (a) of sub-section (1) of section 54 of the Companies Act, 2013 (18 of 2013), the explanatory statement to be annexed to the notice for the general meeting pursuant to section 102 of the Companies Act, 2013 (18 of 2013) shall contain disclosures as specified in the Schedule – II of these regulations.

(2) The issue of sweat equity shares to employees who belong to promoter or promoter group shall be approved by way of a resolution passed by a simple majority of the shareholders in general meeting:

Provided that for passing such a resolution, voting through postal ballot and/ or e-voting as specified under Companies (Management and Administration) Rules, 2014 shall also be adopted;

Provided further that the promoters/promoter group shall not participate in such resolution.

(3) Each issue of sweat equity shares shall be voted by a separate resolution.

(4) The resolution for issue of sweat equity shares shall be valid for a period of not more than twelve months from the date of passing of the resolution.

### **33. Pricing of sweat equity shares.**

The price of sweat equity shares shall be determined in accordance with the pricing requirements stipulated for a preferential issue to a person other than a qualified institutional buyer under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

### **34. Valuation.**

(1) The valuation of the know-how or intellectual property rights or value addition shall be carried out by a merchant banker.

(2) The merchant banker may consult such experts and valuers, as it may deem fit, having regard to the nature of the industry and the nature of the valuation of know-how or intellectual property rights or value addition.

(3) The merchant banker shall obtain a certificate from an independent chartered accountant certifying that the valuation of the know-how or intellectual property rights or value addition is in accordance with the relevant accounting standards.

### **35. Accounting treatment.**

Where the sweat equity shares are issued for a non-cash consideration, such non-cash consideration shall be treated in the following manner in the books of account of the company:-

- (a) where the non-cash consideration takes the form of a depreciable or amortizable asset, it shall be carried to the balance sheet of the company in accordance with the relevant accounting standards; or
- (b) where clause (a) is not applicable, it shall be expensed as provided in the relevant accounting standards.

### **36. Placing of auditor's certificate before annual general meeting.**

In the general meeting subsequent to the issue of sweat equity shares, the Board of Directors shall place before the shareholders, a certificate from the secretarial auditor of the company that the issue of sweat equity shares has been made in accordance with these regulations and in accordance with the

resolution passed by the company authorizing the issue of such sweat equity shares.

### **37. Ceiling on managerial remuneration.**

The amount of sweat equity shares issued shall be treated as part of managerial remuneration for the purpose of sections 196, 197 and other applicable provisions of the Companies Act, 2013 (18 of 2013), if the following conditions are fulfilled:

- (i) the sweat equity shares are issued to any director or manager; and
- (ii) the sweat equity shares are issued for non-cash consideration, which does not take the form of an asset which can be carried to the balance sheet of the company in accordance with the relevant accounting standards.

### **38. Lock-in of sweat equity shares.**

(1) The sweat equity shares shall be locked in for such period of time as specified in relation to a preferential issue under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time.

(2) The provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosures Requirements) Regulations, 2018 in respect of public issue in terms of lock- in and computation of promoters' contribution shall apply if a company makes a public issue after it has issued sweat equity shares.

### **39. Listing.**

The sweat equity shares issued by a listed company shall be eligible for listing subject to their issuance being in accordance with these regulations.

### **40. Applicability of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.**

Any acquisition of sweat equity shares shall be subject to the provisions of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

## **PART – B : GENERAL OBLIGATIONS**

### **41. Obligations of the company.**

The company shall ensure that -

- (a) the explanatory statement to the notice for general meeting contains

the disclosures specified under clause (b) of sub-section (1) of section 54 of the Companies Act, 2013 (18 of 2013) and sub-regulation (1) of regulation 32 of these regulations.

- (b) the secretarial auditor's certificate required under regulation 36 is placed in the general meeting of the shareholders.
- (c) the company, within seven days of the issue of sweat equity shares, sends a statement to the recognised stock exchange, disclosing:
  - (i) number of sweat equity shares issued;
  - (ii) price at which the sweat equity shares are issued;
  - (iii) total amount received towards sweat equity shares;
  - (iv) details of the persons to whom sweat equity shares have been issued; and
  - (v) the consequent changes in the capital structure and the shareholding pattern before and after the issue of sweat equity shares.

## **CHAPTER V**

### **POWER TO RELAX STRICT ENFORCEMENT OF THE REGULATIONS**

#### **42. Exemption from enforcement of the regulations in special cases.**

(1) The Board may exempt any person or class of persons from the operation of all or any of the provisions of these regulations for a period as may be specified but not exceeding twelve months, for furthering innovation relating to testing new products, processes, services, business models, etc., in live environment of regulatory sandbox in the securities markets.

(2) Any exemption granted by the Board under sub-regulation (1) shall be subject to the applicant satisfying such conditions as may be specified by the Board including conditions to be complied with on a continuous basis.

Explanation. – For the purposes of these regulations, “regulatory sandbox” means a live testing environment where new products, processes, services, business models, etc. may be deployed on a limited set of eligible customers for a specified period of time, for furthering innovation in the securities market, subject to such conditions as may be specified by the Board.

#### **43. Exemption from enforcement of the regulations in other cases.**

(1) The Board may *suo motu* or on an application made by a company, for reasons recorded in writing, grant relaxation from strict compliance with any of

these regulations subject to such conditions as the Board deems fit to impose in the interests of investors in securities and the securities market.

(2) A company making an application under sub-regulation (1), shall pay a non-refundable fee of rupees one lakh by way of direct credit in the specified bank account of the Board through NEFT/RTGS/IMPS or any other mode allowed by the Reserve bank of India.

## **CHAPTER VI**

### **MISCELLANEOUS**

#### **44. Directions by the Board.**

Without prejudice to provisions of the Act and those of the Companies Act, 2013 (18 of 2013), the Board may in case of any violation of these regulations and in the interests of the investors and the securities market issue such directions as it deems fit.

#### **45. Power to remove difficulties.**

In order to remove any difficulties in the interpretation and application of the provisions of these regulations, the Board may issue necessary clarifications. The Board may specify such disclosure and process requirements, as may be necessary for protection of interests of investors and securities market and, *inter alia*, for regulation of all schemes, by listed companies for the benefit of their employees, involving dealing, directly or indirectly, in shares and matters connected therewith or incidental thereto.

#### **46. Repeals and savings.**

(1) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Securities and Exchange Board of India (Issue of Sweat Equity) Regulations, 2002 are hereby repealed.

(2) Notwithstanding such repeal. –

- (a) the previous operation of the repealed regulations or anything duly done or suffered thereunder, any right, privilege, obligation or liability acquired, accrued or incurred under the repealed regulations, any penalty, forfeiture or punishment incurred in respect of any contravention committed against the repealed regulations, or any investigation, legal proceeding or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture or punishment as aforesaid, shall remain unaffected as if the repealed regulations had never been repealed;

- (b) anything done or any action taken or purported to have been done or taken including any adjudication, enquiry or investigation commenced or show cause notice issued under the repealed regulations prior to such repeal, shall be deemed to have been done or taken under the corresponding provisions of these regulations; and
- (c) after the repeal of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the Securities and Exchange Board of India (Issue of Sweat Equity) Regulations, 2002, any reference thereto in any other regulations, guidelines or circulars issued by the Board shall be deemed to be a reference to the corresponding provisions of these regulations.

**SCHEDULE-I****Part A- Minimum Provisions in Trust Deed****[See regulation 3(3)]**

The trust deed shall, *inter alia*, cover the following:

1. Details of the trust, including:
  - (i) Name of the trust;
  - (ii) Object of the trust;
  - (iii) Details of settlor;
  - (iv) Details of scheme(s) administered;
  - (v) Source(s) of funds;
  - (vi) Description of the manner in which the trust funds shall be used for meeting the objects of the trust;
  - (vii) Description of the classes of beneficiaries along with their rights and obligations;
  - (viii) Details of trustee(s).
2. Powers and duties of trustee(s), including:
  - (i) To frame rules for administration of the scheme(s) in compliance with the scheme documents, object(s) of the trust and these regulations;
  - (ii) To maintain books of account of the trust as required under law including these regulations.
3. Provisions for dissolution of the trust.
4. Trust deed shall provide that it would be the duty of the trustees to act in the interest of employees who are beneficiaries of the trust and subject to provisions of these regulations, it shall not act in any manner or include any provision in the trust deed that would be detrimental to the interests of the beneficiaries.
5. Such other clauses which are necessary for safeguarding the interests of the beneficiaries.



**Part B- Terms and Conditions of schemes to be formulated by the Compensation Committee**

**[See regulation 5(3)]**

The Compensation Committee is required to formulate the detailed terms and conditions of the schemes which shall, *inter alia*, include the following provisions:

- a. the quantum of options, SARs, shares or benefits as the case may be, per employee and in aggregate under a scheme;
- b. the kind of benefits to be granted under a scheme covered by Part D and Part E of Chapter III of these regulations;
- c. the conditions under which options, SARs, shares or other benefits as the case may be, may vest in employees and may lapse in case of termination of employment for misconduct;
- d. the exercise period within which the employee can exercise the options or SARs and that options or SARs would lapse on failure to exercise the same within the exercise period;
- e. the specified time period within which the employee shall exercise the vested options or SARs in the event of termination or resignation;
- f. the right of an employee to exercise all the options or SARs, as the case may be, vested in him at one time or at various points of time within the exercise period;
- g. the procedure for making a fair and reasonable adjustment to the entitlement including adjustment to the number of options/SARs 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 compensation committee:
  - i. the number and price of options / SARs shall be adjusted in a manner such that total value to the employee of the options / SARs remains the same after the corporate action;
  - ii. the vesting period and the life of the options / SARs shall be left unaltered as far as possible to protect the rights of the employee(s) who is granted such options / SARs;
- h. the grant, vesting and exercise of shares, options or SARs in case of employees who are on long leave;

- i. eligibility to avail benefits under schemes covered by Part D and/or Part E of Chapter III of the regulations in case of employees who are on long leave;
- j. the procedure for funding the exercise of options / SARs; and
- k. 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.

*Explanation.* – Specified securities means as defined under the Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018.

### **Part C - Contents of the explanatory statement to the notice and resolution for shareholders meeting**

#### **[See regulation 6(2)]**

The explanatory statement to the notice and the resolution proposed to be passed for the schemes in general meeting shall, *inter alia*, contain the following information:

- a. brief description of the scheme(s);
- b. the total number of options, SARs, shares or benefits, as the case may be, to be offered and granted;
- c. identification of classes of employees entitled to participate and be beneficiaries in the scheme(s);
- d. requirements of vesting and period of vesting;
- e. maximum period (subject to regulation 18(1) and 24(1) of these regulations, as the case may be) within which the options / SARs / benefits shall be vested;
- f. exercise price, SAR price, purchase price or pricing formula;
- g. exercise period/offer period and process of exercise/acceptance of offer;

- h. the appraisal process for determining the eligibility of employees for the scheme(s);
- i. maximum number of options, SARs, shares, as the case may be, to be offered and issued per employee and in aggregate, if any;
- j. maximum quantum of benefits to be provided per employee under a scheme(s);
- k. whether the scheme(s) is to be implemented and administered directly by the company or through a trust;
- l. whether the scheme(s) involves new issue of shares by the company or secondary acquisition by the trust or both;
- m. the amount of loan to be provided for implementation of the scheme(s) by the company to the trust, its tenure, utilization, repayment terms, etc.;
- n. maximum percentage of secondary acquisition (subject to limits specified under the regulations) that can be made by the trust for the purposes of the scheme(s);
- o. a statement to the effect that the company shall conform to the accounting policies specified in regulation 15;
- p. the method which the company shall use to value its options or SARs;
- q. the following statement, if applicable:

‘In case the company opts for expensing of share based employee benefits using the intrinsic value, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value, shall be disclosed in the Directors’ report and the impact of this difference on profits and on earnings per share (“EPS”) of the company shall also be disclosed in the Directors’ report’;
- r. period of lock-in;
- s. Terms & conditions for buyback, if any, of specified securities covered under these regulations.

**Part D- Information required in the statement to be filed with recognised Stock Exchange(s)**

*[See regulation 10(b)]*

**Description of Schemes**

1. Authorized Share Capital of the Company.
2. Issued Share Capital of the Company as on date of Institution of the scheme/amendment of the scheme.
3. Date of institution of the scheme/ amendment of the scheme.
4. Validity period of the scheme.
5. Date of notice of AGM/EGM for approving the scheme/for amending the scheme/for approving grants under regulation 6(3) of these regulations.
6. Date of AGM/EGM approving the scheme/amending the scheme/ approving grants under regulation 6(3) of these regulations.
7. Kinds of benefit granted under the scheme.
8. Identity of classes of persons eligible under the scheme:
  - a. employees
  - b. employees outside India
  - c. employees of subsidiary
  - d. employees of holding company
  - e. directors, whether whole time directors or not, other than those excluded from the definition of "employee" under these regulations
9. Total number of shares reserved under the scheme, as applicable.
10. Number of shares entitled under the grant.
11. Total number of grants to be made.
12. Maximum number of shares, options, SARs or benefits to be granted per employee per grant and in aggregate.
13. Exercise price or pricing formula.
14. Whether any amount is payable at the time of grant? If so, quantum of such amount.

15. Lock-in period under the scheme.
16. Vesting period under the scheme.
17. Maximum period within which the grant shall be vested.
18. Exercise period under the scheme.
19. Whether employee can exercise all the options or SARs vested at one time? Yes/No
20. Whether employee can exercise vested options or SARs at various points of time within the exercise period? Yes/No
21. Whether scheme provides for the procedure for making a fair and reasonable adjustment to the number of options or SARs and to the exercise price in case of rights issues, bonus issues and other corporate actions? Clause in scheme describing such adjustment.
22. Description of the appraisal process for determining the eligibility of employees under the scheme.
23. The specified time period within which vested options or SARs are to be exercised in the event of termination or resignation of an employee.
24. The specified time period within which options or SARs to be exercised in the event of death of the employee.
25. Whether the scheme provides for conditions under which options, SARs, or benefits vested in employees may lapse in case of termination of employment for misconduct? Clause in Scheme describing such adjustment.
26. Whether scheme provides for conditions for the grant, vesting and exercise of options, SARs or benefits in case of employees who are on long leave? Clause in scheme describing such adjustment.
27. Whether amount paid/payable by the employee at the time of the grant, vesting or exercise of the options, SARs or benefits will be forfeited if the employee does not exercise the same within the exercise period? Clause in scheme describing such adjustment.
28. Details of approval of shareholders pursuant to regulation 6(3) of these regulations with respect to:
  - a. Grant to employees of subsidiary or holding or associate company.
  - b. Grant to identified employees, during any one year, equal to

or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

29. Details of the variation made to the scheme along with the rationale therefor and the details of the employees who are beneficiary of such variation:

Sd/-

Company Secretary

Place:

Date:

**Documents to be filed with registration statement**

1. Copy of scheme, certified by the Company Secretary.
2. Copy of notice of AGM/EGM approving the scheme/for amending the scheme/for approving grants under regulation 6(3) of these regulations certified by the Company Secretary.
3. Copy of resolution of shareholders for approving the scheme/ for amending the scheme/for approving grants under regulation 6(3) of these regulations certified by the Company Secretary.
4. List of Promoters as defined under these regulations.
5. Copy of latest Annual Report.
6. Certificate of Secretarial Auditor on compliance with these regulations.
7. Specimen copy of share certificate, if applicable.
8. Any other relevant documents.

**Undertakings**

The undersigned company hereby undertakes:

1. To file, a post-effective amendment to this statement to include any material information with respect to the scheme of distribution not previously disclosed in the statement or any material change to such information in the statement.
2. To notify, the concerned recognised stock exchanges on which the shares of the company are listed, of each issue of shares pursuant to the exercise of options or SARs under the scheme mentioned in this statement, in the specified form, as amended from time to time.

3. That the company shall conform to the accounting policies specified in regulation 15 of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, [2021]
4. That the scheme conforms to the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, [2021]
5. That the company has in place systems / codes / procedures to comply with the Securities and Exchange Board of India (Insider Trading) Regulations, 2015 or any modification or re- enactment thereto.

### Signatures

Pursuant to the requirements of the Act / Regulations, the company certifies that it has reasonable grounds to believe that it meets all the requirements for the filing of this form and has duly caused this statement to be signed on its behalf by the undersigned, thereunto, duly authorized

Name of the company

Name of the Compliance Officer

Designation

Date:

Place:

Certification by Registered Merchant Banker, pursuant to regulation 12(6) of these regulations:

“Certified that the scheme conforms to the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021”

Date: Authorised Signatory

Place: Name of the Merchant Banker

**Part E - Format of notification for issue of shares**

**[See regulation 10(c)]**

1. Company name and address of Registered Office :
2. Name of the recognised Stock Exchanges on which the company's shares are listed :
3. Filing date of the statement referred in regulation 10(b) of the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 with the recognised Stock Exchange:
4. Filing Number, if any :
5. Title of the Scheme pursuant to which shares are issued, if any:
6. Kind of security to be listed :
7. Par value of the shares :
8. Date of issue of shares :
9. Number of shares issued :
10. Share Certificate No., if applicable :
11. Distinctive number of the share, if applicable :
12. ISIN Number of the shares if issued in Demat :
13. Exercise price per share:
14. Premium per share :
15. Total issued shares after this issue :
16. Total issued share capital after this issue :
17. Details of any lock-in on the shares :
18. Date of expiry of lock-in :
19. Whether shares are identical in all respects to existing shares? If not, when will they become identical? :
20. Details of listing fees, if payable :

Signature of Company Secretary/Compliance Officer

Date:

Place:



**Part F- Disclosures by the Board of Directors****[See regulation 14]**

The Board of Directors in their report shall disclose any material change in the scheme(s) and whether the scheme(s) is / are in compliance with the regulations.

Further, the following details, *inter alia*, shall be disclosed on the company's website and a web-link thereto shall be provided in the report of Board of Directors.

- A. Relevant disclosures in terms of the accounting standards prescribed by the Central Government in terms of section 133 of the Companies Act, 2013 (18 of 2013) including the 'Guidance note on accounting for employee share-based payments' issued in that regard from time to time.
- B. Diluted EPS on issue of shares pursuant to all the schemes covered under the regulations shall be disclosed in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by Central Government or any other relevant accounting standards as issued from time to time.

**C. Details related to ESOS**

- (i) A description of each ESOS that existed at any time during the year, including the general terms and conditions of each ESOS, including -
  - (a) Date of shareholders' approval
  - (b) Total number of options approved under ESOS (c) Vesting requirements
  - (d) Exercise price or pricing formula
  - (e) Maximum term of options granted
  - (f) Source of shares (primary, secondary or combination) (g) Variation in terms of options
- (ii) Method used to account for ESOS - Intrinsic or fair value.
- (iii) Where the company opts for expensing of the options using the intrinsic value of the options, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options shall be disclosed. The impact of this

difference on profits and on EPS of the company shall also be disclosed.

- (iv) Option movement during the year (For each ESOS):

Particulars	Details
Number of options outstanding at the beginning of the period	
Number of options granted during the year	
Number of options forfeited / lapsed during the year	
Number of options vested during the year	
Number of options exercised during the year	
Number of shares arising as a result of exercise of options	
Money realized by exercise of options (INR), if scheme is implemented directly by the company	
Loan repaid by the Trust during the year from exercise price received	
Number of options outstanding at the end of the year	
Number of options exercisable at the end of the year	

- (v) Weighted-average exercise prices and weighted-average fair values of options shall be disclosed separately for options whose exercise price either equals or exceeds or is less than the market price of the stock.
- (vi) Employee wise details (name of employee, designation, number of options granted during the year, exercise price) of options granted to -
- (a) senior managerial personnel as defined under Regulation 16(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

- (b) any other employee who receives a grant in any one year of option amounting to 5% or more of option granted during that year; and
  - (c) identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.
- (vii) A description of the method and significant assumptions used during the year to estimate the fair value of options including the following information:
- (a) the weighted-average values of share price, exercise price, expected volatility, expected option life, expected dividends, the risk-free interest rate and any other inputs to the model;
  - (b) the method used and the assumptions made to incorporate the effects of expected early exercise;
  - (c) how expected volatility was determined, including an explanation of the extent to which expected volatility was based on historical volatility; and
  - (d) whether and how any other features of the options granted were incorporated into the measurement of fair value, such as a market condition.

#### **Disclosures in respect of grants made in three years prior to IPO under each ESOS**

Until all options granted in the three years prior to the IPO have been exercised or have lapsed, disclosures of the information specified above in respect of such options shall also be made.

#### **D. Details related to ESPS**

- (i) The following details on each ESPS under which allotments were made during the year:
  - (a) Date of shareholders' approval
  - (b) Number of shares issued
  - (c) The price at which such shares are issued
  - (d) Lock-in period

- (ii) The following details regarding allotment made under each ESPS, as at the end of the year:

Particulars	Details
The details of the number of shares issued under ESPS	
The price at which such shares were issued	
Employee-wise details of the shares issued to; <ul style="list-style-type: none"> <li>(i) "senior management" as defined under regulation 16(1)(d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ;</li> <li>(ii) any other employee who is issued shares in any one year amounting to 5% or more shares issued during that year;</li> <li>(iii) identified employees who were issued shares during any one year equal to or exceeding 1% of the issued capital of the company at the time of issuance;</li> </ul>	
Consideration received against the issuance of shares, if scheme is implemented directly by the company	
Loan repaid by the Trust during the year from exercise price received	

#### E. Details related to SAR

- (i) A description of each SAR scheme that existed at any time during the year, including the general terms and conditions of each SAR scheme, including -
- (a) Date of shareholders' approval
  - (b) Total number of shares approved under the SAR scheme
  - (c) Vesting requirements
  - (d) SAR price or pricing formula
  - (e) Maximum term of SAR granted

- (f) Method of settlement (whether in cash or equity)
- (g) Choice of settlement (with the company or the employee or combination)
- (h) Source of shares (primary, secondary or combination)
- (i) Variation in terms of scheme
- (ii) Method used to account for SAR - Intrinsic or fair value.
- (iii) Where the company opts for expensing of SAR using the intrinsic value of SAR, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of SAR, shall be disclosed. The impact of this difference on profits and on EPS of the company shall also be disclosed.
- (iv) SAR movement during the year (For each SAR scheme):

Particulars	Details
Number of SARs outstanding at the beginning of the year	
Number of SARs granted during the year	
Number of SARs forfeited / lapsed during the year	
Number of SARs vested during the year	
Number of SARs exercised / settled during the year	
Number of SARs outstanding at the end of the year	
Number of SARs exercisable at the end of the year	

- (v) Employee-wise details (name of employee, designation, number of SAR granted during the year, exercise price) of SAR granted to -
  - (a) “senior management” as defined under regulation 16(1) (d) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

- (b) any other employee who receives a grant in any one year of amounting to 5% or more of SAR granted during that year; and
- (c) identified employees who were granted SAR, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

**Disclosures in respect of grants made in three years prior to IPO under each SAR scheme**

Until all SARs granted in the three years prior to the IPO have been exercised or have lapsed, disclosures of the information specified above in respect of such SARs shall also be made.

**F. Details related to GEBS / RBS**

A description of each GEBS / RBS scheme that existed at any time during the year, including the general terms and conditions of each such scheme, including -

- (a) Date of shareholders' approval
- (b) Kind of benefits to be granted under the scheme
- (c) Beneficiaries of the scheme
- (d) Total assets of the scheme
- (e) Quantum of holding in own shares / listed holding company shares (both absolute and in percentage)
- (f) Whether scheme is in compliance of regulation 26(2) / 27(3) of these regulations, as applicable
- (g) Variation in terms of scheme

**G. Details related to Trust**

The following details, *inter alia*, in connection with transactions made by the Trust meant for the purpose of administering the schemes under the regulations are to be disclosed:

## (i) General information on all schemes

<b>Sl. No.</b>	<b>Particulars</b>	<b>Details</b>
1.	Name of the Trust	
2.	Details of the Trustee(s)	
3.	Amount of loan disbursed by company / any company in the group, during the year	
4.	Amount of loan outstanding (repayable to company / any company in the group) as at the end of the year	
5.	Amount of loan, if any, taken from any other source for which company / any company in the group has provided any security or guarantee	
6.	Any other contribution made to the Trust during the year	

## (ii) Brief details of transactions in shares by the Trust

- (a) Number of shares held at the beginning of the year;
- (b) Number of shares acquired during the year through (i) primary issuance (ii) secondary acquisition, also as a percentage of paid up equity capital as at the end of the previous financial year, along with information on weighted average cost of acquisition per share;
- (c) Number of shares transferred to the employees / sold along with the purpose thereof; (d) Number of shares held at the end of the year.

## (iii) In case of secondary acquisition of shares by the Trust.

**Part G - Disclosure Document**

**[See regulations 16(2) and 23(3)]**

**A: Statement of Risks**

All investments in shares, options or SARs are subject to risk as the value of shares may go down or go up. In addition, the options / SARs are subject to the following additional risks:

1. Concentration: The risk arising out of any fall in value of shares is aggravated if the employee's holding is concentrated in the shares of a single company.
2. Leverage: Any change in the value of the share can lead to a significantly larger change in the value of the options / SARs.
3. Illiquidity: The options / SARs cannot be transferred to anybody, and therefore the employees cannot mitigate their risks by selling the whole or part of their benefits before they are exercised.
4. Vesting: The options / SARs will lapse if the employment is terminated prior to vesting.

Even after the options / SARs are vested, the unexercised options / SARs may be forfeited if the employee is terminated for gross misconduct.

**B: Information about the company**

1. Business of the company: A description of the main objects and present business of the company.
2. Abridged financial information: Abridged financial information, for the last five years for which audited financial information is available, as specified by the Board from time to time. The last audited accounts of the company shall also be provided unless this has already been provided to the employee in connection with a previous option or SAR grant or otherwise.
3. Risk Factors: Management perception of the risk factors for the company (i.e., sensitivity to foreign exchange rate fluctuations, difficulty in availability of raw materials or in marketing of products, cost/time overrun etc.).
4. Continuing disclosure requirement: The option or SAR grantee shall be provided copies of all documents that are sent to the members of the company. This shall include the annual accounts of the company as well as notices of meetings and the accompanying explanatory statements.



**C: Salient Features of the Scheme**

This Part shall contain the salient features of the scheme of the company including the conditions regarding vesting, exercise, adjustment for corporate actions, and forfeiture of vested options / SARs as the case may be. It shall not be necessary to include this Part if it has already been provided to the employee in connection with a previous grant, and no changes have taken place in the scheme since then. If the scheme administrator (whether the company itself or an outside securities firm appointed for this purpose) provides advisory services to the grantees in connection with the exercise of options or SAR, as the case may be, or sale of resulting shares, such advice must be accompanied by an appropriate disclosure of concentration and other risks. The scheme administrator shall conform to the code of conduct appropriate for such fiduciary relationships.

**SCHEDULE – II**

**[See regulation 32(1)]**

The explanatory statement to the notice and the resolution proposed to be passed in the general meeting for approving the issuance of sweat equity shall, *inter alia*, contain the following information:

- a) The total number of shares to be issued as sweat equity.
- b) The current market price of the shares of the company.
- c) The valuation of know-how or intellectual property rights or value addition to be received from the employee or director along with the valuation report / basis of valuation.
- d) The names of the employees or directors or promoters to whom the sweat equity shares shall be issued and their relationship with the company.
- e) The consideration to be paid for the sweat equity.
- f) The price at which the sweat equity shares shall be issued.
- g) Ceiling on managerial remuneration, if any, which will be affected by issuance of such sweat equity.
- h) A statement to the effect that the company shall conform to the accounting policies as specified by the Board.
- i) Diluted Earnings Per Share pursuant to the issue of securities to be calculated in accordance with Accounting Standards specified by the Central Government.

Sd/- **AJAY TYAGI**

**CHAIRMAN**

**SECURITIES AND EXCHANGE BOARD OF INDIA**









## MOTTO

सत्यं वद। धर्मं चर।

इष्टकारं कृतं त्वापत्तेः अविद्येत् इषु कृतं त्वत्।

## VISION

“To be a global leader in promoting good Corporate Governance”

## MISSION

“To develop high calibre professionals facilitating good Corporate Governance”



**THE INSTITUTE OF  
Company Secretaries of India**

**भारतीय कम्पनी सचिव संस्थान**

**IN PURSUIT OF PROFESSIONAL EXCELLENCE**

Statutory body under an Act of Parliament

(Under the jurisdiction of Ministry of Corporate Affairs)

Headquarters

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