

## **Summary of Aarti Industries Limited – Performance Stock Option Plan- 2022**

### **1. Objective**

The PSOP-2022 aims to reward eligible employees for their performance, motivating them to contribute to the company's growth and profitability. It seeks to attract and retain talent by enabling employees to share in the value they help create.

### **2. Authority & Administration:**

Approved by shareholders on October 29, 2022, the Nomination and Remuneration Committee (“**Committee**”) is authorized to grant up to the maximum aggregate number of Shares that may be awarded under the Plan is 0.5% of the equity capital of the Company to eligible employees at the face value. The Committee administers the plan (which shall include the Chief Human Resource Officer of the Company and /or the Company Secretary of the Company or any other role holder(s) authorised by the Committee in this context), establishing rules and approving grants. The Plan Administrator will implement and oversee the plan's operation.

### **3. Eligibility:**

Only employees defined under the Plan are eligible for Options, as determined by the Committee based on factors such as grade, service length, performance, merit, and potential contribution. The Plan applies to the Company, its successors, or subsidiaries, with shareholder approval required for grants to subsidiary employees.

For institutional representatives appointed as Directors, a contract must specify whether Options can be accepted and outline conditions for incentives. This contract must be

submitted to the Company, shared with stock exchanges, and presented at the Director's first Board meeting.

#### **4. Grant of Options:**

The Nomination and Remuneration Committee grants options at its discretion, communicated through a Letter of Grant detailing the grant date, vesting schedule, exercise price, and conditions. Options are personal to the grantee and cannot be transferred. The employee must accept the grant within 60 days, or the grant will be rejected.

#### **5. Vesting & Performance Conditions:**

The minimum vesting period is one year, with one-third of the options vesting annually for three years. At the date of grant, the Committee sets annual performance targets/parameters to be achieved by the Company for the first year of Vesting and thereafter the Committee in the first quarter of every Financial Year shall set annual performance targets/parameters for each subsequent year of Vesting. Options vest based on the company's performance against set targets, with specific thresholds and interpolation between performance levels.

#### **6. Exercise Price & Period:**

- **Exercise Price:** The Exercise Price for each Option at the face value.
- **Lapsed Options:** Options not exercised within the specified period will automatically lapse without any liability on the Company. Lapsed Options may revert to the PSOP 2022 pool for reallocation.

- **Eligibility Restrictions:** Employees engaging in competing businesses are restricted from exercising Options. The Committee's decision on eligibility is final.
- **Deferred Exercise:** If legal or regulatory restrictions prevent the exercise, the Company is not liable for any resulting losses.

**Exercise Period in case of separations: Options can be Exercised as per provisions outlined below:**

Sr. No.	Separations	Vested Options	Unvested Options
1	Resignation	Subject to the terms and conditions formulated by the Plan Administrator, all Vested Options as on date of submission of resignation may be Exercised by the Option Grantee within 3 months from the date of submission of resignation.	All Unvested Options on the date of submission of resignation shall lapse with effect from the date of submission of resignation.
2	Termination (With causes like fraud, misconduct etc.)	All Vested Options which are unexercised as on the date of termination shall lapse.	All Unvested Options as on the date of termination shall lapse.

3	Retirement or early Retirement approved by Company	All Vested Options as on date of retirement may be Exercised by the Option Grantee within 3 months from the date of retirement unless the Committee decides otherwise.	All Unvested Options shall continue to vest as per the Vesting Schedule and Conditions specified under Clause 7 above and can be exercised within the exercise period.
4	Death	All Vested Options may be Exercised by the Option Grantee's Nominee or legal heir within the Exercise Period.	All Unvested Options as on the date of death shall vest immediately and may be Exercised by the Option Grantee's Nominee or legal heir/s within the Exercise Period.
5	Permanent Disability	All Vested Options may be Exercised by the Option Grantee within the Exercise Period.	All Unvested Options as on the date of such permanent disability shall vest immediately and can be Exercised by the Option Grantee within the Exercise Period.
6	Abandonment*	All the Vested Options shall Lapse.	All the Unvested Options shall Lapse.

7	Any other reason not specified above	The Committee at its discretion shall decide whether the Vested Options as on the date of Termination of employment can be Exercised by the Option Grantee or not, and such decision shall be final.	All Unvested Options on the date of separation shall lapse with effect from that date unless the Committee decides otherwise.
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## 7. Lock-in:

- The Shares issued upon Exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such Exercise.
- Provided that the transferability of the Equity Shares shall be subject to the restriction for such period in terms of the Securities and Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015, as amended from time to time or for such other period as may be stipulated from time to time in terms of Company's Code of Conduct for Prevention of Insider Trading as and when such Regulations are made applicable to the Company.

## 8. General Terms

The plan is subject to applicable laws and regulations, including those of SEBI and the Companies Act. The Committee has the discretion to modify performance parameters aligned with long-term shareholder value creation.

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