

Employee Stock Option Policy, 2023

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Table of Contents

1. NAME, OBJECTIVE AND TERMS OF THE PLAN	2
2. DEFINITIONS AND INTERPRETATION	2
3. AUTHORITY AND CEILING	6
4. ADMINISTRATION	7
5. ELIGIBILITY AND APPLICABILITY	9
6. VESTING SCHEDULE / CONDITIONS	10
7. EXERCISE PRICE.....	10
8. OTHER TERMS AND CONDITIONS	14
9. DEDUCTION OF TAX	15
10. AUTHORITY TO VARY TERMS	16
11. MISCELLANEOUS	16
12. NOTICES.....	17
13. GOVERNING LAW AND JURISDICTION	18
14. INCOME TAX RULES.....	18

1. Name, Objective and Terms of the Policy

- 1.1 This Policy shall be called the “Employees Stock Option Policy, 2023” (ESOP, 2023).
- 1.2 The objective of the ESOP, 2023 is to reward the Employees for their past association and performance as well as to motivate them to contribute to the growth and profitability of the Bank. The Bank also intends to use this Policy to attract and retain talent in the Bank. The Bank views employee stock options as instruments that would enable the Employees to share the value they create for the Bank in the years to come.
- 1.3 The ESOP, 2023 shall be effective from date of the approval of the Shareholders and shall continue to be in force until (i) it is terminated by the Board; or (ii) the date on which all of the options available for issuance under the ESOP, 2023 have been issued and exercised.
- 1.4 The Board of Directors may, based on the recommendation of the Nomination & Remuneration Committee and subject to compliance with Applicable Laws, at any time alter, amend, suspend or terminate the ESOP, 2023.

2. Definitions and Interpretation

2.1 Definitions

- i. “**Award Confirmation**” means a written communication by the Bank to an Employee, evidencing grant of Options.
- ii. “**Applicable Law**” means every law relating to Employee Stock Options, including, without limitation to, the Companies Act, 2013, Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and all relevant tax, securities, exchange control or corporate laws of India.
- iii. “**Board**” means the Board of Directors of the Bank.

- iv. “**Companies Act**” means the Companies Act, 2013 and includes any statutory modifications or re-enactments thereof.
- v. “**Bank**” means “Fino Payments Bank Limited”.
- vi. “**Bank Policies/Terms of Employment**” mean the Bank’s policies for employees and the terms of employment as contained in the Employment Letter and the Bank Handbook, which includes provisions for securing Confidentiality, Non Compete and Non Poaching of other Employees and customers.
- vii. “**Director**” means a member of the Board of Directors of the Bank.
- viii. “**Eligibility Criteria**” means the criteria as may be determined from time to time by the Nomination & Remuneration Committee for granting the Employee Stock Options to the Employees.
- ix. “**Employee**” means (i) an employee as designated by the Bank who is exclusively working in India or outside India; or (ii) a director of the Bank, whether a Managing / Whole time director or not but excluding an independent director; (iii) Material Risk Takers; or (iv) an employee as defined in clause (i) or (ii) of above of the Fino Group, including any subsidiary or associate company, in India or outside India, or of a holding company of the Bank, but does not include an employee who is not eligible to participate in the ESOP, 2023 under Applicable Law.
- x. “**Employee Stock Option**” or “**Option**” means the option granted to an Employee, which gives such Employee the right, but not an obligation, to subscribe at a future date the shares underlying the option at a pre-determined price.
- xi. “**Exercise**” of an Option means expression of an intention by an Employee to subscribe to the Shares underlying the Options vested in him/her, in

pursuance of the ESOP, 2023 in accordance with the procedure laid down by the Bank for exercise of options.

- xii. “**Exercise Period**” means such time period after vesting within which the Employee should exercise the options vested in him in pursuance of the ESOP, 2023.
- xiii. “**Exercise Price**” means the price payable by an Employee in order to exercise the Options granted to him / her in pursuance of the ESOP, 2023.
- xiv. “**Fino Group**” means the Bank and its affiliates.
- xv. “**Grant**” means issue of Options to the Employees under the ESOP, 2023.
- xvi. “**Market Price**” means the latest available closing price on a Stock Exchange on which the shares of the Bank are listed on the date immediately prior to the Relevant Date.

Explanation: If such shares are listed on more than one stock exchange, then the closing price of the shares on the Stock Exchange having higher trading volume shall be considered as the Market price.
- xvii. “**Nomination & Remuneration Committee**” means a Committee of Directors constituted by the Board for the purpose of administration of the ESOP, 2023, in accordance with the provisions of Applicable Law.
- xviii. “**Option Grantee**” means an Employee who has been granted an Employee Stock Option in pursuance of the ESOP, 2023.
- xix. “**Permanent Disability**” means any disability of whatsoever nature, be it physical, mental or otherwise, which incapacitates or prevents or handicaps an Employee from performing any specific job, work or task which the said Employee was capable of performing immediately before such disablement, as determined by the Nomination & Remuneration

Committee based on a certificate of a medical expert identified by the Nomination & Remuneration Committee.

- xx. **“Policy / ESOP, 2023”** means this Employees Stock Option Policy, 2023 and shall include any alterations, amendments, modifications or variations made thereto from time to time.
- xxi. **“Relevant Date”** means the date of the meeting of the Nomination & Remuneration Committee on which the grant is made.
- xxii. **“Retirement”** means retirement as per the rules of the Bank.
- xxiii. **“SEBI SBEB Regulations”** means the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, as amended and re-enacted from time to time, and includes any clarifications or circulars issued thereunder.”
- xxiv. **“Shares”** means equity shares of the Bank arising out of the exercise of the Options granted under the ESOP, 2023.
- xxv. **“Subsidiary Company(ies)”** means any present or future subsidiary company(ies) of the Bank as per the provisions of the Companies Act, 2013.
- xxvi. **“Vesting”** means earning by the Option Grantee, of the right to Exercise the Employees Stock Options granted to him/her in pursuance of the ESOP, 2023.
- xxvii. **“Vesting Condition”** means any condition subject to which the Options granted would Vest in an Option Grantee.
- xxviii. **“Vesting Period”** means the period during which the vesting of the Employee Stock Option granted to the Employee, in pursuance of the ESOP, 2023 takes place.

xxix. “**Vested Option**” means an Option in respect of which the relevant Vesting Conditions have been satisfied and the Option Grantee has become eligible to exercise the Option.

xxx. “**Unvested Option**” means an Option in respect of which the relevant Vesting Conditions have not been satisfied and as such, the Option Grantee has not become eligible to Exercise the Option.

2.2 Interpretation

In this Scheme, unless the contrary intention appears:

- a) any term not defined above, but used herein shall have the meaning ascribed to them under Applicable Law.
- b) the clause headings are for ease of reference only and shall not be relevant to interpretation;
- c) a reference to a clause number is a reference to its sub-clauses;
- d) words in singular number include the plural and vice versa;
- e) words importing a gender include any other gender;
- f) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference.

3. Authority and Ceiling

3.1 The Board in its meetings held on July 28, 2023 after the recommendation of the Nomination & Remuneration Committee have approved the ESOP, 2023 subject to the approval of the Shareholders in their General Meeting / via Postal Ballot and have resolved to grant Options exercisable into a maximum of 1,090,625 Shares (“**ESOP Pool**”). Where Shares are issued or acquired consequent to an exercise of a Vested Option under ESOP 2023, the ESOP Pool or the maximum number of Shares that can

be issued or acquired under ESOP 2023 as referred to this Clause will stand reduced to the extent of such issued or acquired Shares.

3.2 If an Employee Stock Option expires or becomes unexercisable due to any other reason, it shall become available for future Grants, subject to compliance with all Applicable Laws.

4. Administration

4.1 The ESOP, 2023 shall be administered by the Nomination & Remuneration Committee. All questions of interpretation of the ESOP, 2023 shall be determined by the Nomination & Remuneration Committee and such determination shall be final and binding upon all persons having an interest in the ESOP, 2023 or such Employee Stock Option.

4.2 The Nomination & Remuneration Committee shall in accordance with this Policy and Applicable Laws determine the following:

- (a) The quantum of Stock Options to be granted under the ESOP, 2023 per Employee;
- (b) The Eligibility Criteria;
- (c) The time when the Options are to be granted;
- (d) The number of tranches in which the Options are to be granted and the number of Options to be granted in each such tranche;
- (e) The Vesting Period and the Vesting Conditions;
- (f) The conditions under which Vested Options in Employees may lapse, including, but not limited to, circumstances of termination of employment with or without Cause, separation from employment, etc.;
- (g) The Exercise Period;
- (h) The right of an Employee to exercise all the Vested Options at one time or

at various points of time within the Exercise Period;

- (i) The procedure for making a fair and reasonable adjustment in case of corporate actions such as merger, sale of division, stock split / consolidation, rights issues, bonus issues and others;
- (j) The procedure and terms for the Grant, Vesting and Exercise of Employee Stock Option in case of Employees who are on long leave;
- (k) The procedure for cashless exercise of the Stock Options, if required;
- (l) Approve forms, writings and/or agreements for use in pursuance of the ESOP, 2023;
- (m) Establish, amend, suspend or waive such rules and regulations as it shall deem appropriate for the proper administration of the Policy;
- (n) Interpret any matter with respect to, connected with, arising out of or in relation to the ESOP, 2023, the Award Confirmation and the Vesting Confirmation;
- (o) The procedure for funding the Exercise;
- (p) The procedure for buy-back of Shares issued pursuant to this ESOP, 2023, subject to Applicable Laws.
- (q) Appoint such agents as it shall deem necessary for the proper administration of the Policy;
- (r) Determines or impose other conditions to the grant or exercise of Options under the Policy as it may deem appropriate;
- (s) Make any other determination and take any other action that the Nomination & Remuneration Committee deems necessary or desirable for the administration of the Policy;

(t) Frame suitable policies, procedures and systems to ensure that there is no violation of the applicable securities laws including without limitation:

- SEBI (Prohibition of Insider Trading) Regulations, 2015; and
- SEBI (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 2003;

by any Employee and the Bank.

5. Eligibility and Applicability

5.1 The Employees are eligible for being granted Employee Stock Options under ESOP, 2023. The specific Employees to whom the options would be granted and their Eligibility Criteria would be determined by the Nomination & Remuneration Committee.

5.2 The Policy shall be applicable to the Bank, and any successor Bank thereof and the Options may be granted to the Employees of the Bank, in accordance with the provisions of this ESOP 2023.

6. Vesting Schedule / Conditions

Options granted under ESOP, 2023 would vest as under:

At the end of First (1 st) Year from the date of Grant of Options	33.33% of Options so granted
At the end of Second (2 nd) Year from the date of Grant of Options	33.33% of Options so granted
At the end of Third (3 rd) Year from the date of Grant of Options	Balance 33.33% of Options so granted

Unless otherwise set out herein, vesting of the Options would be subject to continued employment with the Bank and thus the Options would vest on passage of time in accordance with the above schedule. In addition to this, the Nomination & Remuneration Committee may also specify certain performance parameters subject to which the Options would Vest. The specific vesting schedule and conditions subject to which Vesting would take place would be outlined in the agreement to be executed by the Option Grantee at the time of grant of the Options.

Notwithstanding anything contained in the Clause 6, in the event that Options are granted by the Bank under this ESOP, 2023 in lieu of options held by the same person under an employee stock option plan in another company, which has merged, demerged or amalgamated with the Bank, the period during which the options granted by the merging, demerging or amalgamating company were held by such person shall be adjusted against the one year period between grant of Options and Vesting.

7. Exercise Price

a) All equity shares including Options to subscribe to equity shares pursuant to the ESOP, 2023 shall have a purchase or Exercise Price at 25% of discount on the Market Price. Payment of the Exercise Price along with applicable taxes, shall be made by a crossed cheque or a demand draft or NEFT or other electronic mode drawn in favour of the Bank or in such other manner as the Nomination & Remuneration Committee may decide.

b) The Options can be exercised as per the provisions outlined in the table below:

		Vested Options	Unvested Options
1	While in Employment of the Bank or Fino Group, including any subsidiary or an associate company of the Bank pursuant to an internal transfer/deputation	<i>Can be exercised within a period of five years from the date of Vesting.</i>	The Options would continue to vest as per the original vesting schedule.
2	Resignation / Termination (other than due to misconduct or breach of Bank policies/terms of employment) or Voluntary/ Involuntary separation from the Bank or its subsidiaries or affiliates.	All Vested Options can be exercised within a period of three years from the date of his/her last working day with the Bank.	All Unvested Options on the date of submission of resignation / the last working day shall stand cancelled with effect from that date.
3	Termination due to misconduct or due to breach of Bank Policies or the Terms of Employment	All the Vested Options which were not exercised at the time of such termination shall stand cancelled with effect from the date of such termination	All Unvested Options on the date of such termination shall stand cancelled with effect from that date.

		Vested Options	Unvested Options
4	Retirement / Early Retirement approved by the Bank	All Vested Options can be exercised by the Option Grantee immediately after, but in no event later than six months from the date of Vesting or such other period as may be determined by the Nomination & Remuneration Committee.	All Unvested Options on the date of Retirement shall continue to Vest in accordance with the Vesting Period of the relevant Option Grantee in accordance with the Bank's policies and Applicable Law.
5	Death	All Vested Options may be Exercised by the Option Grantee's nominee or legal heirs immediately after, but in no event later than five years from the date of death. This period may further be extended at the discretion of the Nomination & Remuneration Committee.	Notwithstanding anything contained in Clause 6, all the Unvested Options as on the date of death shall vest immediately and can be exercised by the Option Grantee's nominee or legal heirs within five years from the date of death. This period may further be extended at the discretion of the Nomination & Remuneration Committee
6	Termination due to Permanent Disability	All Vested Options may be Exercised by the Option Grantee or, in case of his death, the nominee or legal heirs, immediately after, but in no event later than six months from the date of such disability.	Notwithstanding anything contained in Clause 6, all the Unvested Options as on the date of such Permanent Disability shall vest immediately and can be exercised by the Option Grantee or, in case of his death, the nominee or legal heirs within six months from the date of termination of the Option Grantee due to the Permanent Disability.
7	Abandonment** *	All the Vested Options shall stand cancelled.	All the Vested Options shall stand cancelled.
8	Separation due to reasons other than those mentioned above	The Nomination & Remuneration Committee will decide whether the Vested Options on the date of separation can be exercised by the Employee or not, and such decision shall be final.	The Nomination & Remuneration Committee will decide whether the Unvested Options on the date of separation can be exercised by the Employee or not, and such decision shall be final.

*** The Nomination and Remuneration Committee or the Board of Directors, at its sole discretion shall decide the date of cancellation of Options and such decision shall be binding on all concerned.

8. Other Terms and Conditions

8.1 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Bank (for example, bonus shares, rights shares, dividend, voting, etc.) in respect of any Shares covered by the Grant unless the Option Grantee Exercises the Stock Options and becomes a registered holder of the Shares of the Bank.

8.2 The Employees Stock Options shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

8.3 If the Bank issues bonus or rights shares, the Option Grantee will not be eligible for the bonus or rights shares in the capacity of an Option Grantee. However, an adjustment to the number of options or the exercise price or both would be made in accordance with Clause 4.2(i) of ESOP, 2023.

8.4 Options shall be granted by the Nomination & Remuneration Committee.

8.5 Options that have not been exercised in accordance with the provisions of the ESOP 2023 shall be deemed to have lapsed. The lapsed Options can be re-issued at the discretion of the Nomination & Remuneration Committee in accordance with the provisions of this ESOP 2023.

8.6 Employees Stock Options shall not be transferable to any person except in the event of death of the Option Grantee, in which case clause 7(b) would apply.

8.7 No person other than the Employee to whom the Employee Stock Option is granted shall be entitled to Exercise the Stock Options except in the event of the death of the Option Grantee holder, in which case clause 7(b) would apply, provided, the Bank, subject to Applicable Law, 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 the exercise of Options granted under the ESOP, 2023 and adjust such amount against the sale proceeds of some or all the Shares of such Employee.

8.8 The Employees shall maintain the utmost confidentiality regarding the contents of the Policy and the benefits there under at all times and shall not make any announcement to the public or to any third person regarding the arrangements contemplated by the Policy and the benefits there under except to the extent as may be required by law.

8.9 The Shares acquired pursuant to exercise of Options shall not be subject to any lock in and shall be freely transferable, except as restricted by Applicable Laws. Provided however, notwithstanding the aforementioned, Employees holding Shares pursuant to the exercise of the Options under the ESOP, 2023 will not transfer any Shares to any person resident outside India, whether during the employment or after cessation of employment.

8.10 The amount paid by the Employee, if any, at the time of Exercise of the Options (a) may be forfeited by the Bank 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 in accordance with ESOP 2023.

8.11 Notwithstanding anything contained in Clause 7, in the event that an Option Grantee is transferred pursuant to a 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 cases 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 Option Grantee.

9. Deduction of Tax

The Employee shall pay applicable tax based on his/her tax slab to the Bank at the time of exercising the Stock Options which is apart from the application money. The Bank shall have the right to (i) deduct from the Employee's salary, any of the Employee's tax obligations arising in connection with the Employee Stock Option or the Shares acquired upon Exercise thereof; (ii) or (ii) adjust the payment of such taxes against the sale proceeds of some or all the Shares held by the Option Grantee after exercise of his or her Vested Options. The Bank shall have no obligation to deliver Shares until the Bank's tax deduction obligations, if any, have been satisfied by the Option Grantee.

10. Authority to vary terms

The Board may, based on the recommendation of the Nomination & Remuneration Committee, if it deems necessary, vary / amend the terms of the ESOP, 2023 subject to the Applicable Laws.

11. Accounting and Disclosures

The Bank shall follow the IND AS 102 on Share-based payments and/ or any relevant accounting standards as may be prescribed by the Central Government in terms of section 133 of the Companies Act 2013 and /or any relevant Accounting Standards as may be prescribed by the Institute of Chartered Accountants of India or any other appropriate authority, from time to time, including the disclosure requirements prescribed therein, in compliance with relevant provisions of SEBI SBEB Regulations.

12. Certificate from Auditors

The Bank shall at each annual general meeting place before the shareholders a certificate from the secretarial auditors of the Company that the ESOP 2023 has been implemented in accordance with the SEBI SBEB Regulations and in accordance with the resolution of the Company in the general meeting.

13. Award Confirmation

The grant of Options hereunder shall be evidenced by an Award Confirmation which shall be delivered to the Employee and shall specify the number of Options granted and the terms and conditions of the grant of Options and rules applicable thereto.

14. Expiry Dates

This Policy shall expire on such date as may be notified by the Board of Directors of the Bank.

15. Notices

All notices of communication required to be given by the Bank to an Employee by virtue of this ESOP, 2023 shall be in writing and shall be sent physically to the address of the Employee or email address available in the records of the Bank and any communication to be given by an Employee to the Bank in respect of the ESOP, 2023 shall be sent on the addresses mentioned below:

To the Bank :

Head - HR

Fino Payments Bank, Mindspace Juinagar, Plot No Gen 2/1/F, Tower 1, 8th floor,
TTC Industrial Area, MIDC Shirwane, Juinagar, Navi Mumbai – 400706

Email: pratima.thomas@finobank.com

16. Governing Law and Jurisdiction

16.1 The terms and conditions of the ESOP, 2023 shall be governed by and construed in accordance with the laws of India.

16.2 The Courts in Mumbai, India shall have exclusive jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this ESOP, 2023.

16.3 Nothing in this Clause will however limit the right of the Bank to bring proceedings against any Employee in connection with this ESOP, 2023:

(i) in any other court of competent jurisdiction; or

(ii) concurrently in more than one jurisdiction.

17. Income Tax Rules

The Income Tax Act, 1961 and the rules made thereunder in force will be applicable.

In the event of any tax liability arising on account of grant of the Options to an Employee, the liability shall be that of the Employee alone. The Bank may, in its discretion, require the Employee to pay to the Bank at the time of Exercise of any Option the amount that the Bank deems necessary to satisfy the Bank's obligation to withhold income or other taxes incurred by reason of such exercise.

18. Miscellaneous

18.1 Government Regulations

This ESOP, 2023 shall be subject to all Applicable Laws and approvals from governmental authorities.

18.2 Inability to obtain approval

The inability of the Bank to obtain approval from any regulatory body having jurisdiction over the Bank under any Applicable Laws, for the issuance, transfer, sale and buy-back of any Shares hereunder shall relieve and wholly discharge the Bank of any liability in respect of the failure to issue, transfer, sale or buy-back of such Shares.

18.3 The grant of an Employee Stock Option does not form part of the Option Grantee's entitlement to compensation or benefits pursuant to his contract of employment nor does the existence of a contract of employment between any person and the Bank give such person any right or entitlement to have an Employee Stock Option granted to him in respect of any number of shares or any expectation that an Employee Stock Option might be granted to him whether subject to any condition or at all.

18.4 Neither the existence of this Plan nor the fact that an individual has on any occasion been granted an Employee Stock Option shall give such individual any right, entitlement or expectation that he has or will in future have any such right, entitlement or expectation to participate in this Plan by being granted an Employee Stock Option on any other occasion.

18.5 The rights granted to an Option Grantee upon the grant of an Employee Stock Option shall not afford the Option Grantee any rights or additional rights to compensation or damages in consequence of the loss or termination of his office or employment with the Bank for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).

18.6 The Option Grantee shall not be entitled to any compensation or damages for any loss or potential loss which he may suffer by reason of being unable to exercise an Employee Stock Option in whole or in part.

18.7 Participation in the ESOP, 2023 shall not constitute or be construed as any guarantee return on equity shares/investment of the Bank. Any loss/potential loss due to fluctuations in the market price of the Shares or on any other account whatsoever, and the risks associated with such investments will be that of the Employee alone and not of the Bank.
