

WOCKHARDT LIMITED

“WOCKHARDT – EMPLOYEES’ STOCK OPTION SCHEME - 2011”

Or

“WOCKHARDT ESOS – 2011”

THE SCHEME

**Certified True Copy
FOR WOCKHARDT LIMITED.**


COMPANY SECRETARY.

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OBJECTIVE

Wockhardt Limited ('Wockhardt' or 'the Company') has introduced an 'Employees' Stock Option Scheme' ('ESOS' or 'the Scheme') for its employees.

The Scheme has been launched to:

- Share the benefits of collective success with employees.
- Provide employees with an incentive and ensure long-term commitment for the Company.
- Encourage employees to view the Company from the perspective of shareholders.
- Achieve more focussed performance of employees towards business and responsibilities ensuring higher productivity – “More & More with Less & Less.

The Scheme offers the employees a unique opportunity to accumulate shares of the Company and enjoy the gains when the share price increases. It is a reflection of the belief that employees make a company successful and they should share the rewards of its success. It is also a recognition of the fact that personal achievement and company's achievement go hand in hand. Participation in the Scheme by employees is voluntary.

DEFINITIONS AND INTERPRETATION

Definitions

In this Wockhardt Employees Stock Option Scheme- 2011("the scheme") except where the context otherwise requires, the following words and expressions shall have the meaning as specifically defined herein below:

- **Applicable Law**

Applicable Law means all the laws and regulations of the Republic of India which are applicable to employee stock options, including but not limited to the Companies Act, the Securities & Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and all relevant tax, securities, exchange control or corporate laws of India.

- **Appointed Date**

Appointed Date shall mean the date on which this “scheme” becomes effective i.e. the date this “scheme” is approved by the shareholders in the General Body Meeting

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- **Board/Board of Directors**

Board means the Board of Directors of the Company.

- **Companies Act**

Companies Act means The Companies Act, 1956 and includes any statutory modifications or re-enactments thereof.

- **Compensation Committee**

The Compensation Committee is a committee of the Board of Directors of the Company consisting of a majority of independent directors, for administration and superintendence of ESOS.

- **ESOS or the Scheme**

ESOS or the Scheme shall mean the Wockhardt Employees Stock Option Scheme - 2011 as described in this document.

- **Employee(s)**

Employee(s) means:

- Permanent employee or director of the Company (whether a whole time director or not) or persons employed on contract basis working in India or out of India, or
- Permanent employees or persons employed on contract basis or director of a subsidiary or a holding company of the Company, working in India or out of India.

- **Exercise**

Exercise means application by the employees for allotment of shares against options vested in them in pursuance of the Scheme, in accordance with the procedure laid down by the Company for exercise of Options.

- **Exercise period**

Exercise period means the time period after vesting of options with the employee within which the employee should exercise his/her right to apply for shares against the option vested in him in pursuance of the Scheme.

- **Exercise Price**

Exercise Price means the price payable by an Employee for Exercising the Options granted to such Employee in pursuance of the Scheme

- **General Meeting**

General Meeting means a General body meeting held by the Company under the Companies Act, 1956.

- **Grant**

Grant means issue of option to employees under the Scheme.

- **Grantee**

Grantee means an employee who receives an offer from the Compensation Committee to participate in ESOS.

- **Long Leave**

Long Leave means continuous leave for a period of more than sixty days.

- **Independent directors**

Independent director means a director of the Company, not being a whole time director and who is neither a promoter nor belongs to the promoter group.

- **Market price**

Market price means latest available closing price of Company's shares, prior to the date of the meeting of the Board/ Committee of Directors in which Option are granted, on the stock exchange on which shares of the Company are listed. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered.

- **Misconduct**

Resignation / termination of employment for misconduct would include resignation / termination on grounds of gross negligence, fraud, misfeasance, breach of trust, sabotage or for any other reasons as may be determined by the Compensation Committee.

- **Option**

Option means the right (but not an obligation) granted to the employee in pursuance of the ESOS to apply for the specified number of shares of Wockhardt at a pre-determined price or in accordance with a pricing formula.

- **Option Grantee**

Option Grantee means an Employee who has been granted an Employee Stock Option in pursuance of the Scheme

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- **Promoter**

Promoter includes persons who have over-all control or who are instrumental in the formation of the Company or who are named in any offer document as promoters.

- **Promoter Group**

Promoter Group includes persons who are immediate relatives of the Promoters and whose shareholding is disclosed in any offer documents as 'shareholding of promoter group and persons whose shareholding is aggregated for the purpose of disclosing in the offer document 'Shareholding of the promoter group'.

- **Shares**

Shares means equity shares of Rs. 5/- each and/or securities convertible into equity shares of the Company.

- **SEBI Guidelines**

SEBI Guidelines means the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, and the amendments thereto, issued by the Securities and Exchange Board of India under Section 11 of the Securities and Exchange Board of India Act, 1992.

- **Subsidiary**

Subsidiary means all the subsidiaries of the Company, as defined in the Companies Act, as at the date of this Scheme and any companies acquired or incorporated by the Company, which becomes subsidiary of the Company after the date of this scheme.

- **Termination of employment**

Termination of employment is the discontinuance of employment for any reason other than transfer to a subsidiary or associate company.

- **Vest or Vesting**

Vest or Vesting means the process by which the employee is given the right to apply for shares of the Company against the option granted to him in pursuance of the Scheme.

- **Vesting Period**

Vesting Period means the period during which the Vesting of the Employee Stock Option granted to the Employee, in pursuance of the Scheme takes place.

- **Vested Option**

Vested Option means an option in respect of which the Option Grantee has become eligible to Exercise the Option.

- **Unvested Option**

Unvested Option means an Option in respect of which the Option Grantee has not become eligible to Exercise the Option.

- **Wockhardt or the Company**

Wockhardt or the Company means Wockhardt Limited or any other company into which Wockhardt merges in future or any other company that succeeds to the whole or substantially the whole of the business of Wockhardt Limited.

- **Year/Financial Year**

Year shall mean financial year commencing from 1st April to 31st March, or such other period as may be decided by the Board of directors from time to time for preparing its accounts.

Interpretation

In this Scheme, unless the contrary intention appears:

- a) a reference to a clause number is a reference to its sub-clauses;
- b) words in singular number include the plural and vice versa;
- c) words of any gender are deemed to include those of the other gender;
- d) a reference to a Schedule includes a reference to any part of that Schedule which is incorporated by reference;
- e) the terms "hereof", "herein", "hereby", "hereto" and derivative or similar words refer to this Scheme or specified clauses of this Scheme, as the case may be;
- f) the contents table, heading and bold typeface are only for convenience and shall be ignored for the purposes of interpretation;
- g) reference to any legislation or law or to any provision thereof shall include references to any such law as it may, after the date hereof, from time to time, be amended, supplemented or re-enacted, and any reference to a statutory provision shall include any subordinate legislation made from time to time under that provision;

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NUMBER OF OPTIONS & TERM

The Company may reserve, offer, issue and allot to the Employees upto 2,500,000 Options under these scheme. Each option covers one equity share of the Company. The number of options that may be granted to any selected employee(s), during any one year under ESOP scheme shall not amount to or exceed more than 1% of the issued share capital of the Company at the time of grant of options. The Scheme will be valid until all the above options have been granted and exercised or lapsed.

ELIGIBLE EMPLOYEES

Following categories of permanent employees (including employees of subsidiary companies and holding company) would be eligible to participate in the Scheme:

- Employees falling in the grades currently called as M1 and above;
- Employees of those departments / divisions who are not categorized in accordance with the above mentioned grades but whose designation is equivalent to such grades.

The following category of employees would not be eligible to participate in the Scheme:

- Persons employed through subcontractors.
- Temporary employees
- Employees who are promoter or belonging to promoter group.
- Director(s) holding more than 10% of the outstanding equity share capital of the Company either by himself or through his relative or through any body corporate directly or indirectly.

SELECTED EMPLOYEES

Selection of employees out of the eligible employees shall be by the Compensation Committee and will be based on the criteria such as the seniority of the employee, length of service, performance record, merit of the employee, etc. Selected Employees shall be granted options based on the quantum fixed by the Compensation Committee.

ESOP OFFER

Grant of stock options

The Company shall make offer of stock options to the Selected Employees as and when recommended by the Compensation Committee. Grant of options to employees



employed outside India would be subject to appropriate approvals under the Foreign Exchange Regulations.

Under the Scheme, all options would be at market related prices or at such price as fixed by the Compensation Committee. No amount is payable by the employee(s) at the time of grant of options.

The Compensation Committee shall inform the Selected Employees about:

- The numbers of options granted and the option price.
- The particulars of the shares or other securities forming part of the options.
- the conditions under which option vested in employees may lapse in case of termination of employment for misconduct.
- the exercise period within which the employee should exercise the option and that option would lapse on failure to exercise the option within the exercise period.
- the specified time period within which the employee shall exercise the vested options in the event of termination or resignation of an employee.
- the grant, vest and exercise of option in case of employees who are on long leave; and
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- the right of the Selected Employees to exercise all the options vested at one time or at various points of time within the exercise period.

The Selected Employee shall communicate his acceptance of the options offered to him, in the enclosed format, within 30 days from the date of grant of options. Upon acceptance of such, the Company shall be bound by an irrevocable agreement to issue the specified number of shares at the option price to the Selected Employees who have accepted the options. In the event of non-acceptance, options granted shall lapse.

Vesting

Stock Options granted shall vest with the Selected Employee after such period, not being less than one year and not exceeding ten years, as may be decided by the Compensation Committee. The period of vesting may be different for different Option offers.

Where an Employee suffers from a permanent incapacity while in employment, all the Options granted to him as on the date of incapacitation, shall vest on him on that day.

In case of death of the Selected Employee all Vested Options on the date shall Vest in legal heirs or nominees of Option holder and shall become exercisable immediately but not later than one year from the date of death.

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In the event of the resignation or termination of the Employee, other than misconduct or breach of company policies, all options vested but not exercised, may be exercised by the Employee within two working days from the date of resignation or termination, but not later than last date of working in the Company. The options vested but not exercised as on the date of resignation or termination shall expire if the same are not exercised within two working days from the date of the resignation or termination or before last date of working in the Company, whichever is earlier. In case of termination/resignation of the Employee due to misconduct or breach of company policies, all Vested Options not Exercised shall stand cancelled from that date. Compensation Committee shall have the powers to extend such date of exercise on case to case basis,

Non-transferability of option

Stock options shall be non-transferable. Options granted shall not be pledged, hypothecated, mortgaged or otherwise alienated in any manner by the employees.

Exercise of option & allotment of shares

Selected Employee can exercise the stock options from the date of vesting during such period (not exceeding seven years) and in a manner as decided by the Compensation Committee. In case the employee voluntarily terminates the employment or the employment gets terminated due to any cause, other than misconduct and breach of company policies, any stock options outstanding (vested but not exercised) may be exercised within a period of 2 working days from the date of termination of employment or before last date of working in the Company, whichever is earlier.

The Selected Employees or Selected Ex-employee or his legal heir/nominee, as the case may be, can exercise the options by:

- Making an application in a prescribed 'Exercise Form' (copy enclosed) to the Company;
- Making appropriate payment of the option price to the Company; and

Upon receipt of the Exercise Form and the payment, the Company shall issue and allot requisite shares or other securities to the Selected Employee.

The Selected Employee may exercise all the options vested at one time or may at his discretion choose to exercise only a part of the option i.e. he may choose to exercise and acquire only some of the shares or other securities to which he is entitled in terms of option. He may exercise the Options in one or more installments. Options granted shall expire, if the employees do not exercise it within the exercise period.

Shares acquired under the Scheme would not be subject to any lock-in period.

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Dividends/ Voting Rights / Bonus shares

- Employees shall not have a right to receive any dividend or to vote or in any manner enjoy the benefits of a shareholder in respect of options granted, till shares are allotted to them pursuant to exercise of option.
- The shares allotted will be subject to the Memorandum and Articles of Association of Wockhardt and shall rank pari-passu in all respects with the existing shares of Wockhardt (including payment of dividend).

OTHER TERMS & CONDITIONS

1. Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Company (for example, bonus shares, rights shares, dividend, voting, etc) in respect of any Shares covered by the Grant unless the Option Grantee Exercises the Employee Stock Option and becomes a registered holder of the Shares of the Company.
2. The Employee Stock Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.
3. If the Company 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 appropriate adjustment to the number of options or the exercise price or both would be made.
4. On retirement, early retirement, death, resignation or termination of the Employee, all Unvested Options on that date shall expire.

ADMINISTRATION

- 1) The Scheme shall be administered by the Compensation Committee, which shall have majority of independent directors. All questions of interpretation of the Scheme or any Employee Stock Option shall be determined by the Compensation Committee and such determination shall be final and binding upon all persons having an interest in the Scheme or such Employee Stock Option.
- 2) The Compensation Committee shall, amongst other things, determine the following in accordance with this Scheme and Applicable Laws:
 - (a) The quantum of Employee Stock Options to be granted under the Scheme per Employee;
 - (b) The eligibility criteria for the Grant of Options to the Employees ;

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- (c) The procedure for making fair and reasonable adjustments in case of corporate actions such as merger, sale of division, stock split / consolidation, rights issues, bonus issues and others;
- (d) The procedure and terms for the Grant, Vest and Exercise of Employee Stock Options to the Employees including that for lapse in case of termination of employment for misconduct;
- (e) The Grant, Vesting and Exercise of Options, in the case of Employees who are on long leave ;
- (f) The procedure for cashless exercise of Employee Stock Options, if required;
- (g) To consider re-issuance of options which have lapsed
- (h) To prescribe, amend, cancel rules/regulations relating the Scheme;
- (i) Approve forms, writings and/or agreements for use in pursuance of the Scheme; and
- (j) To deal with all incidental and related matters in connection with the items under (a) to (i) above and otherwise to ensure compliance with the requirements of Applicable Laws.

TAXATION

The employees would be liable to tax as per the tax laws prevailing in the country of residence from time to time. The Company shall deduct appropriate tax from the salaries as per the prevailing tax laws. The Company shall have no obligation to deliver Shares until the tax obligations, if any, resulting from the Grant of Options, have been satisfied by the Option Grantee.

SEBI GUIDELINES

The terms and conditions as mentioned in this Scheme would apply, subject to the 'SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999' notified by the Securities and Exchange Board of India, as amended from time to time.

The Board of Directors may make such revisions / modifications to this Scheme as it may, in its discretion, deem fit or necessary. Provided that such revisions / modifications should be consistent with the SEBI Guidelines. The revisions/ modification of the Scheme shall not be detrimental to the interest of the Employee.

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In the event of any questions, issues, difficulties or doubts arising in the application, monitoring or supervision of the Scheme, the same shall be referred to the Compensation Committee. The decision of the Compensation Committee, which shall not be inconsistent with the SEBI Guidelines, shall be final.

MISCELLANEOUS

1. This Scheme shall be subject to all Applicable Laws, and approvals from governmental authorities.
2. The inability of the Company to obtain authority from any regulatory body having jurisdiction over the Company, or under any Applicable Laws, for the lawful issuance and sale of any Shares hereunder shall relieve and wholly discharge the Company of any and all liability in respect of the failure to issue or sell such Shares.
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 Company 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.
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.
5. The rights granted to an Option Grantee upon the grant of an Employee Stock Option shall not provide 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 company for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).
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.

GOVERNING LAW & JURISDICTION

The terms and conditions of the Scheme shall be governed by and construed in accordance with the laws of India.

The courts of Mumbai, India shall have jurisdiction in respect of any and all matters, disputes or differences arising in relation to or out of this Scheme.

