



Employee Stock Option Scheme 2008

Shoppers Stop Limited

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1. NAME, OBJECTIVE AND TERM OF THE PLAN

- 1.1 This Plan shall be called the “ESOP 2008”.
- 1.2 The objective of the ESOP 2008 is to provide an incentive to attract, retain and reward Employees performing Services for the Company and by motivating such Employees to contribute to the growth and profitability of the Company.
- 1.3 The ESOP 2008 is established with effect from July 29, 2008 and shall continue to be in force until (i) its termination by the Board or (ii) the date on which all of the options available for issuance under the ESOP 2008 have been issued and exercised.
- 1.4 The Board of Directors may subject to compliance with Applicable Laws, at any time alter, amend, suspend or terminate the ESOP 2008.

2. Definitions and Interpretation

2.1 Definitions

The terms defined in this ESOP 2008 shall for the purposes of this ESOP 2008, have the meanings herein specified and terms not defined in this ESOP 2008 shall have the meanings as defined in the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Companies Act, 1956, the SEBI (Disclosure and Investor Protection) Guidelines, 2000 and the SEBI (Employee Stock Option Scheme & Employee Stock Purchase Scheme) Guidelines, 1999, or in any statutory modifications or re-enactments thereof, as the case may be.

- i. **“Agreement”** means the Employee Stock Option Agreement between the Company and the Option Grantee evidencing the terms and conditions of an individual Employee Stock Option. The Agreement is subject to the conditions of ESOP 2008.
- ii. **“Applicable Law”** means the legal requirements relating to Employee Stock Options, including, without limitation, the Companies Act, 1956, SEBI Act, the SEBI Guidelines and all relevant tax, securities, exchange control or corporate laws of India or any relevant jurisdiction or of any stock exchange on which the shares are listed or quoted.
- iii. **“Board”** means the Board of Directors of the Company.
- iv. **“Companies Act”** means The Companies Act, 1956 and includes any statutory modifications or reenactments thereof.
- v. **“Company”** means Shoppers Stop Limited.

- vi. **“Compensation Committee”** means a Committee constituted by the Board of Directors from time to time to administer ESOP 2008 and named as “Compensation/Remuneration Committee”.
- vii. **“Director”** means a member of the Board of the Company.
- viii. **“Eligibility Criteria”** means the criteria as may be determined from time to time by the Compensation Committee for granting the Employee Stock Options to the employees.
- ix. **“Employee”** means (i) a permanent employee of the Company working in India or out of India; or (ii) managing director/s, whole time director/s and other permitted Non Whole-time Directors of the Company; or (iii) an employee, as defined in sub-clauses (i) or (ii) in this Para, of a subsidiary, in India or out of India, of the Company, but excludes
 - i. an employee who is a promoter or belongs to the promoter group;
 - ii. a director who either by himself or through his relatives or through any body corporate, directly or indirectly holds more than 10% of the issued and subscribed Shares of the Company.
- x. **“Employee Stock Option”** or **“Option”** means the option granted to an Employee, which gives such Employee the right to purchase or 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 the Company to purchase the Shares underlying the Options vested in him, in pursuance of the ESOP 2008, in accordance with the procedure laid down by the company 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 2008.
- xiii. **“Exercise Price”** means the price payable by an Employee in order to exercise the Option granted to him in pursuance of the ESOP 2008.
- xiv. **“Grant”** means issue of Options to the Employees under the ESOP 2008.

- xv. **“Market Price”** means the price of an equity share of the Company on Bombay Stock Exchange Ltd.
- xvi. **“Option Grantee”** means an Employee having a right but not an obligation to exercise an Employee Stock Option in pursuance of the ESOP 2008.
- xvii. **“Parent company”** means any future holding company of the Company.
- xviii. **“Permanent Incapacity”** 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 Compensation Committee based on a certificate of a medical expert identified by such Committee.
- xix. **“Promoter”** means (a) the person or persons who are in over-all control of the company; (b) the person or persons who are instrumental in the formation of the company or programme pursuant to which the shares were offered to the public; (c) the person or persons named in the offer document as promoter(s). Provided that a director or officer of the company if they are acting as such only in their professional capacity will not be deemed to be a promoter.
- xx. **“Promoter Group”** means (a) an immediate relative of the promoter (i.e. spouse of that person, or any parent, brother, sister or child of the person or of the spouse); (b) persons whose shareholding is aggregated for the purpose of disclosing in the offer document “shareholding of the promoter group”.
- xxi. **“Recognised Stock Exchange”** means the BSE, NSE or any other Stock Exchange in India on which the Company’s Shares are listed or to be listed.
- xxii. **“Retirement”** means retirement as per the rules of the Company.
- xxiii. **“Scheme / Plan / ESOP 2008”** means this Employee Stock Option Plan 2008 under which the Company is authorised to grant Employee Stock Options to the Employees.
- xxiv. **“SEBI Act”** means the Securities & Exchange Board of India Act, 1992 as amended, and includes all regulations and clarifications issued there under.

- xxv. **“SEBI Guidelines”** means the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended and includes all regulations and clarifications issued there under.
- xxvi. **“Service”** means the Option Grantee’s employment with the Company, in the capacity of an Employee. The Option Grantee’s employment shall not be deemed to be terminated merely because of a change in the capacity in which the Option Grantee is employed in the Company, provided that there is no interruption in or termination of the Option Grantee’s employment.
- Subject to the foregoing, the Compensation Committee of the Company, in its sole discretion, shall determine whether an Option Grantee continues in employment of the Company and such determination shall be binding and final.
- xxvii. **“Shares”** means equity shares of the Company arising out of the exercise of Employee Stock Options granted under the ESOP 2008.
- xxviii. **“Subsidiary company”** means any present or future subsidiary company of the Company, as defined in the Companies Act, 1956.
- xxix. **“Vesting”** means earning by the Option Grantee, of the right to apply for Shares of the Company against the Employee Stock Options granted to him in pursuance of the ESOP 2008.
- xxx. **“Vesting Period”** means the period during which the vesting of the Employee Stock Option granted to the Employee, in pursuance of the ESOP 2008 takes place.
- xxxi. **“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.
- xxxii. **“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 Plan, unless the contrary intention appears:

- a) the clause headings are for ease of reference only and shall not be relevant to interpretation;

- b) a reference to a clause number is a reference to its sub-clauses;
- c) words in singular number include the plural and vice versa;
- d) words importing a gender include any other gender;
- e) 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 meeting held on April 25, 2008 and the shareholders of the company at its Extraordinary General Meeting held on July 29, 2008 have resolved to issue to employees under ESOP 2008, Employee Stock Options exercisable into not more than 1,000,000 equity shares of a face value of Rs. 10 each, with each such option conferring a right upon the employee to apply for one equity share of the Company, in accordance with the terms and conditions of such issue.
- 3.2 If an Employee Stock Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares, which were subject thereto, shall become available for future Grants or sale.
- 3.3 Where Shares are issued consequent upon exercise of an Employee Stock Option under the ESOP 2008, the upper limit on the number of Shares referred to in Clause 3.1 above will stand reduced to the extent of such Shares issued.
- 3.4 In case of a share-split where the face value of the shares is reduced below Rs. 10, the maximum number of shares available for being granted under ESOP 2008 shall stand modified accordingly, so as to ensure that the paid-up value (No. of shares X Face value per share) of the total shares that can be issued remains unchanged. Thus, for instance, if the face value of each share is reduced to Re. 1, the total number of shares available under ESOP 2008 would be 10,000,000 equity shares of Re. 1 each.

4. Administration

- 4.1 The ESOP 2008 shall be administered by the Compensation Committee. All questions of interpretation of the ESOP 2008 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 ESOP 2008 or such Employee Stock Option.

4.2 The Compensation Committee shall in accordance with this Plan and Applicable Laws determine the detailed terms and conditions of the Employee Stock Options, including but not limited to:

- (a) The quantum of Employee Stock Options to be granted under the ESOP 2008 per Employee, subject to the ceiling as specified in Para 3.1;
- (b) The Eligibility Criteria;
- (c) The Schedule for Vesting of Employee Stock Options;
- (d) The conditions under which the Employee Stock Option vested in Employees may lapse in case of termination of employment for misconduct;
- (e) The procedure for making a fair and reasonable adjustment to the number of Employee Stock Options and to the Exercise Price in case of a corporate action such as rights issues, bonus issues, merger, sale of division and others. In this regard the following shall be taken into consideration by the Compensation Committee:
 - (i) the number and / or the price of the Employee Stock Options shall be adjusted in a manner such that the total value of the ESOP 2008 remains the same before and after such corporate action;
 - (ii) for this purpose, global best practices in this area including the procedures followed by the derivative markets in India and abroad shall be considered;
 - (iii) the Vesting Period and the life of the Employee Stock Options shall be left unaltered as far as possible to protect the rights of the Option Grantee
- (f) The procedure and terms for the Grant, Vest and Exercise of Employee Stock Option in case of Employees who are on long leave;
- (g) The procedure for cashless exercise of Employee Stock Options, if required;
- (h) Approve forms, writings and/or agreements for use in pursuance of the ESOP 2008.
- (i) Frame suitable policies and systems to ensure that there is no violation of (a) Securities and Exchange Board of India (Insider Trading) Regulations, 1992 and (b)

Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to the Securities Market) Regulations, 1995, by any Employee.

- (j) Frame any other byelaws, rules or procedures as it may deem fit for administering ESOP 2008.

5. Eligibility and Applicability

- 5.1 Only Employees are eligible for being granted Employee Stock Options under ESOP 2008. The specific employees to whom the options would be granted and their eligibility criteria would be determined by the Compensation Committee.
- 5.2 The Scheme shall be applicable to the company, its subsidiary companies in India and abroad and any successor company thereof and may be granted to the Employees and Managing Director(s) and Whole Time Director(s) of the Company and or its subsidiaries, as determined by the Compensation Committee on its own discretion.
- 5.3 Unless otherwise provided by the Compensation Committee at the time the Employee Stock Options are granted, the Employee Stock Options granted to an Employee shall be subject to the terms and conditions set forth in this Plan and the Agreement as approved by the Compensation Committee.
- 5.4 Grant of Employee Stock Options shall be evidenced by the Employee Stock Option Agreement in such form, as the Compensation Committee shall from time to time determine. Such Agreement shall be deemed to incorporate all of the terms of the ESOP 2008, as if the same were set out therein.

6. Vesting Schedule / Conditions

Options granted under ESOP 2008 would vest not less than one year and not more than five years from the date of grant of such options. Vesting of options would be subject to continued employment with the Company and thus the options would vest on passage of time. In addition to this, the Compensation 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 document given to the option grantee at the time of grant of options.

7. Exercise

- a) The exercise price shall be the average of the daily closing price of equity shares of the Company at Bombay Stock Exchange Limited during the period of six months immediately preceding the date on which the options are granted.

Or

The exercise Price shall be the closing price of equity shares of the company at Bombay Stock Exchange Limited on the working day immediately prior to the date on which the options are granted.

- b) The Employee Stock Options granted shall be capable of being exercised within a period of three years from the date of Vesting of the respective Employee Stock Options. The vested options can be exercised at one time or at various times within the exercise period.
- c) In the event of the death of an Employee while in employment with the Company, all the Vested and Unvested Options may be Exercised by the Option Grantee's nominee immediately after, but in no event later than one year from the date of death.
- d) In the event of separation of an Employee from the Company due to reasons of Permanent Incapacity the Option Grantee may Exercise his or her Vested as well as Unvested Option immediately after Permanent Incapacity but in no event later than one year from the date of separation from employment.
- e) In the event of resignation from employment for reasons of normal retirement or a retirement specifically approved by the Company,
- i. all Vested Options should be exercised by the Option Grantee immediately after, but in no event later than six months from the date of such Option Grantee's retirement, and
 - ii. all Unvested Options will lapse as on the date of such retirement, unless otherwise determined by the Compensation Committee whose determination will be final and binding.
- f) In the event of resignation, before the date of vesting, all Unvested Options, on the date of submission of resignation, shall expire and stand terminated with

effect from that date. However, all Vested Options as on that date shall be exercisable by the employee immediately but not later than 12 months from the date of resignation.

- g) In the event of abandonment of employment by an Option Grantee without the Company's consent, all Employee Stock Options granted to such employee, including the Vested Options, which were not exercised at the time of abandonment of employment, shall stand terminated with immediate effect. The Compensation Committee, at its sole discretion shall decide the date of abandonment by an Employee and such decision shall be binding on all concerned.
- h) In the event of termination of the employment of an Option Grantee due to breach of policies of the Company or the terms of employment, all Employee Stock Options granted to such employee, including the Vested Options which were not exercised at the time of such breach shall stand terminated with effect from the date of such breach; the date of such breach shall be determined by the Compensation Committee, and its decision on this issue shall be binding and final.
- i) In the event of an Option grantee who is on approved long leave (i.e. beyond 6 months), the exercise period in respect of all Employee Stock Options granted to such Option Grantee, continues to be the exercise period i.e. within a period of three years from vesting of these Employee Stock Options as if such Option Grantee is not on long leave. The Compensation Committee, at its sole discretion may decide otherwise and such decision shall be binding on all concerned.

8. Accelerated Vesting

In the event of the Company being amalgamated, merged, and reconstituted and upon a Change of Control, all unvested options in force on the "relevant date" shall immediately vest and become exercisable. The Compensation Committee shall determine whether an event constitutes an amalgamation, merger, reconstitution or a change in control and shall determine the "relevant date" for such event. It shall also determine the time within which such vested options can be exercised.

9. Other Terms and Conditions

- 9.1 The Employee 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 Employee Stock Options granted, till Shares underlying such Employee Stock Options are allotted on Exercise of such Employee Stock Option.
- 9.2 Nothing herein is intended to or shall give the Option Grantee any right or status of any kind as a shareholder of the Company 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.
- 9.3 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, except that the entitlement to the number of options will be adjusted in terms of section 4.2(e). Only if the employee stock options are vested and exercised and the Option Grantee is a valid holder of the shares of the Company, the Option Grantee would be entitled for bonus or rights shares as Option holders of the Company.
- 9.4 Employee Stock Options shall not be transferable to any person except in the event of death of the Option Grantee, in which case clause 7(c) would apply.
- 9.5 No person other than the Employee to whom the Employee Stock Option is granted shall be entitled to Exercise the Employee Stock Option except in the event of the death of the Option Grantee holder, in which case clause 7(c) would apply.
- 9.6 The Employee Stock Option shall not be pledged, hypothecated, mortgaged or otherwise alienated in any other manner.

10. Tax Deduction at Source/Fringe Benefit Tax/other taxes and obligations:

Notwithstanding anything contained in this Scheme or any other Agreement or Scheme under which Options have been granted to the Employees of the Company and/ or its Subsidiary, as applicable, the Company shall have the right to deduct and/ or to recover, relating to or in connection with all grant, any and all taxes, if any required by law to be deducted at source or otherwise and may at its discretion also recover any taxes, whether direct or indirect tax or any other cess, levy, assessments and other governmental charges, duties, impositions, and liabilities, by whatever name called including, without limitation, fringe benefit tax, leviable or whether directly or indirectly payable by the

Company and / or its subsidiary at the time of grant or vesting or exercise or allotment of options or the shares or at the shares or at any different point of time.

11. Authority to vary terms

The Compensation Committee may, if it deems necessary, vary the terms of ESOP 2008, subject to the SEBI Guidelines and applicable laws.

12. Miscellaneous

12.1 Government Regulations

This ESOP 2008 shall be subject to all Applicable Laws, and approvals from governmental authorities. The Grant and the allotment of shares under this ESOP 2008 shall also be subject to the Company requiring Employees to comply with all Applicable Laws and be subject to the approval of the Company's Counsel.

12.2 Inability to obtain authority

The inability of the Company to obtain authority from any regulatory body having jurisdiction, 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.

12.3 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 of the Company, give such person any right entitlement or expectation 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.

12.4 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.

- 12.5 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 company of the group for any reason whatsoever (whether or not such termination is ultimately held to be wrongful or unfair).
- 12.6 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 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).
- 12.7 The specified disclosures as required pursuant to provisions of Schedule IV of the SEBI Guidelines shall be made to the prospective Option Grantees at the time of grant of Employee Stock Option.

13. Notices

All notices of communication required to be given by the Company to an Option Grantee by virtue of this ESOP 2008 shall be in writing and shall be sent to the address of the Option Grantee available in the records of the Company and any communication to be given by an Option Grantee to the Company in respect of ESOP 2008 shall be sent to the address mentioned below:

The Company Secretary,
Shoppers Stop Limited
"Umang Tower", 5th Floor,
Mindspace, Off. Link Road, Malad (West), Mumbai - 400 064.

Registered Office and Service Office of the Company or to such other address as the Company may notify the Employees from time to time.

14. Governing Law and Jurisdiction

- 14.1 The terms and conditions of the ESOP 2008 shall be governed by and construed in accordance with the laws of India.
- 14.2 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 ESOP 2008.

14.3 Nothing in this Clause will however limit the right of the Company to bring proceedings against any Employee in connection with this ESOP 2008:

- (i) in any other court of competent jurisdiction; or
- (ii) concurrently in more than one jurisdiction.

15. Income Tax Rules

The applicable Income Tax Laws and Rules as in force will be applicable.