

ITC HOTELS – SPECIAL PURPOSE EMPLOYEE STOCK OPTION SCHEME

This Employee Stock Option Scheme has been formulated by the Nomination and Remuneration Committee of the Board of Directors of the Company and approved by the Board at its Meeting held on 25th January, 2025, pursuant to the authority vested in it under Clause 10.7 of the Scheme of Arrangement, with respect to Options granted under ITC ESOP Schemes to the Eligible Employees, consequent upon the Demerger.

1. SHORT TITLE, EXTENT AND COMMENCEMENT

- a) This Scheme shall be called the 'ITC Hotels – Special Purpose Employee Stock Option Scheme' ("**ITCHL SP ESOP Scheme**" or "**the Scheme**").
- b) It shall come into effect from 25th January, 2025 and continue to be in force until the date on which the Options issued under the Scheme have been exercised / lapsed.

2. OBJECT

- a) The Scheme has been formulated pursuant to Clause 10.7 of the Scheme of Arrangement, with respect to options granted under 'ITC ESOP Schemes' to the Eligible Employees, consequent upon the Demerger.
- b) Each such Eligible Employee shall be granted 1 (one) Option (including fractional entitlements) under ITCHL SP ESOP Scheme, for every 10 (ten) options (whether vested or not) outstanding under ITC ESOP Schemes as on the Record Date in the Demerged Company, on the terms and conditions similar to the ITC ESOP Schemes.

3. DEFINITIONS

In the Scheme, unless the context otherwise requires

- a) "**Applicable Laws**" means every law relating to employee stock options, to the extent applicable, including and without limitation to the Companies Act, 2013, the Securities and Exchange Board of India Act, 1992, all relevant regulations of the Securities and Exchange Board of India particularly in connection with or after Listing, including the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('**LODR Regulations**'), the Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021, each as amended and enacted from time to time read with all circulars and notifications issued thereunder and all the relevant tax, securities, foreign exchange control or corporate laws or amendments thereof including any circular, notification issued thereunder by regulatory authorities of India or of any relevant jurisdiction or of any Stock Exchange on which the Shares are listed or quoted.

- b) **"Board"** means the Board of Directors of the Company.
- c) **"Company"** or **"Resulting Company"** means ITC Hotels Limited.
- d) **"Committee"** or **"Remuneration Committee"** means the Nomination and Remuneration Committee of the Board, inter alia, for administration and superintendence of the ITCHL SP ESOP Scheme.
- e) **"Demerger"** means transfer by way of a demerger of the Demerged Undertaking of the Demerged Company to the Company on a going concern basis and the consequent issue of Shares by the Company to the shareholders of the Demerged Company in accordance with share entitlement ratio pursuant to the provisions of the Income-tax Act, 1961 and applicable orders, ordinances, directions, etc. issued thereunder.
- f) **"Demerged Company"** means ITC Limited.
- g) **"Demerged Undertaking"** shall mean all the businesses, undertakings, activities, operations and properties of the Demerged Company, related to or pertaining to the conduct of, or the activities of, the hotels and hospitality business of the Demerged Company, undertaken by way of, inter alia, owning, licensing, operating, managing, servicing, marketing and supervising the operations of hotels and includes accommodation, dining and banqueting services, and investment in hospitality entities carrying on the hotels and hospitality business, as on the Appointed Date, on a going concern basis, whether in or outside India.
- h) **"Eligible Employee"** means all the optionees who have outstanding options as on the Record Date under ITC ESOP Schemes regardless of whether they remain with the Demerged Company or are transferred to the Resulting Company in terms of the Scheme of Arrangement.
- i) **"ITC ESOP Schemes"** means the 'ITC Employee Stock Option Scheme – 2006' and 'ITC Employee Stock Option Scheme – 2010' implemented by the Demerged Company and amended from time to time.
- j) **"Exercise"** means the submission of the Exercise Application along with the payment of the relevant Exercise Price and tax as may be applicable, by the Optionee to purchase / subscribe to the Shares underlying the Options.
- k) **"Exercise Application"** means the written application in the prescribed form for Exercise of Options.
- l) **"Exercise Period"** means the period during which the Optionee can Exercise his Options.

- m) **"Exercise Price"** means the price payable by an Optionee to purchase / subscribe to the Shares underlying the Options.
- n) **"Grant"** means the offer of Options under and subject to the terms and conditions of the Scheme.
- o) **"Grant Date"** means the date on which the Committee approves the Grant.
Explanation—For accounting purposes, the Grant Date will be determined in accordance with applicable accounting standards.
- p) **"NCLT"** means the National Company Law Tribunal, Kolkata Bench, having jurisdiction in relation to the Demerger of the Demerged Company by way of transfer of the Demerged Undertaking into the Resulting Company and which has approved the Scheme of Arrangement.
- q) **"Nominee"** means the person(s), who has been nominated for the purpose of the Scheme. Nomination can be made only in favour of the spouse, children, grandchildren, parent(s), or, in the absence of any of the aforesaid living, the sibling(s) of the Optionee. Nomination made in favour of any other person shall be invalid.
- r) **"Option"** means an option (including fractional entitlement) granted to an Eligible Employee, which gives such employee the right, but not an obligation, to purchase / subscribe to Shares under Grant(s). Each Option represents the right to purchase / subscribe to 10 (Ten) Shares.
- s) **"Optionee"** means the holder of an outstanding Option granted under the Scheme.
- t) **"Permanent Disability"**, with respect to a person, means a physical or mental impairment of sufficient severity that, in the opinion of the Remuneration Committee / Board, as the case may be, has rendered the person unable to continue performing the duties that the person performed before such impairment.
- u) **"Record Date"** shall mean 6th January, 2025 being the date for determining the shareholders of ITC Limited for allotment of Shares in terms of the Scheme of Arrangement.
- v) **"Shares"** mean equity shares of the Company of face value of ₹ 1/- (One) each fully paid-up.
- w) **"Scheme of Arrangement"** means the scheme of arrangement amongst the Demerged Company and Resulting Company and their respective shareholders and creditors, as sanctioned by the NCLT vide its Order dated 4th October, 2024, which has become effective as of the Effective Date i.e. 1st January, 2025.

- x) **"Stock Exchange"** means the National Stock Exchange of India Limited (NSE), BSE Limited (BSE) or any other recognized stock exchange in India on which the Shares are listed or to be listed.
- y) **"Subsidiary"** means a subsidiary of the Company or Demerged Company whether now or hereinafter existing, within the meaning of the Companies Act, 2013.
- z) **"Vesting"** means the accruing of the right to the Optionee to Exercise an Option.
- aa) **"Vesting Period"** means the period between the date of Grant (including the said day) and the date of Vesting (excluding the said day).
- bb) **"Vested Option"** means an Option in respect of which Vesting has occurred.
- cc) **"Unvested Option"** means an Option in respect of which Vesting has not occurred.

Words denoting the singular include the plural and vice versa. Words denoting a gender include all genders.

Unless repugnant to the context, all other expressions not defined herein shall have the same meaning as have been assigned to them under the Applicable Laws or the Scheme of Arrangement, as the case may be.

4. SCOPE AND ELIGIBILITY

The Scheme shall be applicable to the Eligible Employees to the extent of the Options granted under the Scheme, as determined by the Committee.

5. ADMINISTRATION OF THE SCHEME

- a) Pursuant to the Scheme of Arrangement, the Committee to Grant not exceeding 7,68,627 (Seven Lakhs Sixty Eight Thousand Six Hundred Twenty Seven) Options to the Eligible Employees, which in aggregate shall be exercisable into not more than 76,86,270 (Seventy Six Lakhs Eighty Six Thousand Two Hundred Seventy) Shares of ₹ 1/- each, with each such Option (including fractional entitlement) conferring a right upon such employee to apply for 10 (Ten) Shares in the Company in accordance with the terms and conditions of the Scheme.
- b) The maximum number of Options under the Scheme that may be granted to each Eligible Employee per Grant and in aggregate shall not exceed the number as computed pursuant to the Scheme of Arrangement.
- c) If an Option expires, lapses or becomes un-exercisable due to any reason, it shall be cancelled and not brought back to the Options pool.

- d) In case of a Share split or consolidation, if the revised face value of the Share is less or more than the current face value as prevailing on the date of coming into force of the Scheme, the maximum number of Shares available for being granted under the Scheme as specified above shall stand modified accordingly, so as to ensure that the cumulative face value (No. of Shares X Face value per Share) prior to such Share split or consolidation remains unchanged after such Share split or consolidation.
- e) The Remuneration Committee shall administer the Scheme for which purpose the Committee may, inter alia, determine / decide / frame:
- the time when the Options are to be granted;
 - the number of Options to be granted to Eligible Employees;
 - the Exercise Price;
 - the Vesting Period;
 - the Exercise Period;
 - the treatment of Options in instances of cessation of employment for reasons of misconduct (in terms of the Company's policies) on the part of an Optionee;
 - the treatment of Options upon termination of employment;
 - adjustments to be made to Grant size, number of Options, Exercise Price of Options, etc. in the event of corporate actions such as bonus issue, rights issue, demerger, merger and consolidation of Shares;
 - suitable policies and systems to ensure that there is no violation of (a) Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 ('**Insider Trading Regulations**'); (b) Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003; and (c) any other regulation as may be notified by the Securities and Exchange Board of India or any other authority from time to time;
 - procedures for Granting, Vesting and Exercise of Options;
 - the procedure and terms for the Grant, Vesting and Exercise of Options in case of Employees who are on long leave;
 - treatment of Options in instances not specifically provided for in the Scheme.

The decisions of the Remuneration Committee with respect to administration of the Scheme shall be final and binding on all Eligible Employees.

6. OPTIONS

6.1 Grant of Options:

- a) Pursuant to the Scheme of Arrangement, the number of Options under the Grant to be made to the Eligible Employees will be decided by the Committee. Every Grant shall specify the number of Options offered and the Exercise Price thereof.

- b) The Exercise Price per Option shall be determined by the Committee and set out in the letter of Grant, based on the fair and reasonable adjustments made to the options granted to the Eligible Employee under the ITC ESOP Schemes and the Options granted under the Scheme.

6.2 Acceptance of Options:

The Eligible Employees are not required to make any formal communication for acceptance of the Grant, and it shall be treated as deemed acceptance when the Grant is made under the Scheme.

6.3 Vesting Schedule:

- a) Options granted under the Scheme shall vest not earlier than the minimum Vesting Period of 1 (One) year and not more than the maximum Vesting period of 3 (Three) years from the Grant Date.

Provided that for determining the minimum Vesting Period required for Options that may be granted by the Company under the Scheme to the Eligible Employees, the period during which the Eligible Employees held corresponding stock options granted under the ITC ESOP Schemes prior to the Grant of the Options by the Company, shall be adjusted against the minimum Vesting Period required under this sub-clause, subject to Applicable Laws.

- b) The specific Vesting conditions and Vesting schedule subject to which Vesting of Option would take place shall be communicated to each Optionee at the time of Grant.

6.4 Exercise of Options:

- a) Options can be exercised (i) only by the Optionee (except in the case of death of the Optionee), (ii) only upon their Vesting, and (iii) only during the Exercise Period (except in case of resignation etc. as covered in sub-clauses (c) and (d) below). Options shall lapse if not exercised within the Exercise Period.

The "Exercise Period" for Options shall commence from the date(s) of Vesting of such Options and end with the expiry of five years from the respective date(s) of Vesting of Options. Optionees, other than those falling under sub-clauses (c) and (d) below, can exercise Vested Options each year during:

- (i) April to August - from 21st June to 10th August;
- (ii) September to January - from 1st to 10th day of each month;
- (iii) February to March - from 1st February to 10th March; and
- (iv) Such other period as may be decided by the Remuneration Committee.

- b) **Manner of Exercise:** An Optionee exercising Options shall apply therefor by filing an Exercise Application with the Company. Such application shall be for a minimum of 100 Options per Grant, provided however that where the Vested Options remaining to be exercised under a particular Grant are less than 100, the application must be for the entire remaining number of Options.
- c) **Resignation:** In the event of cessation of employment of an Optionee arising out of resignation from the Company / Demerged Company / Subsidiary:
- All Unvested Options of such Optionee shall lapse on the date of separation from such company, and
 - The Vested Options can be exercised by such Optionee within 7 days from the date of separation from the said company or such extended time decided by the Remuneration Committee, failing which such Options shall lapse.
- d) **Termination:** In the event of cessation of employment of an Optionee arising out of termination of employment by the Company / Demerged Company / Subsidiary, other than for misconduct:
- All Unvested Options of such Optionee shall lapse on the date of separation from such company, and
 - The Vested Options can be exercised by such Optionee within 7 days from the date of separation from the said company, failing which such Options shall lapse.
- e) **Death:** In the event of death of an Optionee while in employment, all Unvested Options held by such Optionee shall vest forthwith in the Nominee(s), and in the absence of any nomination, in the legal heir(s).

Provided that, in the event of death of an Optionee after retirement from the services of the Company / Demerged Company / Subsidiary, all Unvested Options held by such Optionee shall vest after a period of one year from the date of respective Grant(s).

Vested Options can be exercised by the Nominee(s) or legal heir(s) (within the relevant Exercise Period) in the same manner as the Optionee could have exercised had he been alive subject to production of documentary evidence to the satisfaction of the Company with respect to identity of Nominee(s) or legal heir(s) and upon compliance with such other formalities as may be required by the Company.

- f) **Permanent Disability:** In the event of permanent disability of an Optionee, while in employment of the Company / Demerged Company / Subsidiary, all Unvested Options held by such Optionee shall vest forthwith and can be exercised within the relevant Exercise Period.
- g) **Amalgamation / Reconstitution etc.:** The Remuneration Committee shall determine the treatment of Options granted to an Optionee in the event of separation arising out of amalgamation / reconstitution etc. of the Company / Demerged Company / Subsidiary.
- h) **Transfer:** In the event of an Optionee being transferred to the Company / Demerged Company / Subsidiary / associate of the Company at the instance of or with consent of the respective company, such Optionee can Exercise the Vested Options within the relevant Exercise Period. The Unvested Options shall however vest as per the vesting schedule and can be exercised thereafter within the relevant Exercise Period.
- i) **Retirement etc.:** In the event of
 - (i) retirement of an Optionee from the Company / Demerged Company / Subsidiary, or
 - (ii) separation of an Optionee with the consent of the Company / Demerged Company / Subsidiary, or
 - (iii) separation of an Optionee, who is on extension of employment, post becoming eligible for retirement at his option under the Rules of the Company / Demerged Company / Subsidiary, such Optionee can Exercise the Vested Options within the relevant Exercise Period. The Unvested Options shall vest as per the vesting schedule and can be exercised thereafter within the relevant Exercise Period.
- j) **Study Leave:** In the event of an Optionee being granted Study Leave by the Company / Demerged Company / Subsidiary, at the request of the Optionee, such Optionee can Exercise the Vested Options (within the relevant Exercise Period) only after the Optionee resumes duty with the relevant company immediately after the Study Leave and works for at least one year. The Unvested Options shall vest as per the vesting schedule.

Explanation: For determining the Exercise Period required for Options that may be granted by the Resulting Company under the Scheme to the Eligible Employees, the period during which the Eligible Employee held corresponding vested employee stock options under the ITC ESOP Schemes prior to the Grant of the Options by the Resulting Company shall be adjusted against the Exercise Period required under this clause, subject to Applicable Laws.

6.5 Bonus Issue:

In the event of issue of Shares by the Company by way of bonus shares, an Optionee will be entitled to be allocated bonus options in relation to the outstanding Options, whether Vested or Unvested, held by him, in the same ratio in which the bonus shares are allotted. Such Bonus Options will be exercisable on the same terms as the outstanding Options except as to Exercise Price, which will be adjusted by dividing the Exercise Price per Option by the factor of the bonus ratio (bonus factor). For example, if the Exercise Price of the outstanding Options in relation to a Grant is ₹ 200/- per Option and the bonus is in the ratio of 1 Bonus Share for every 2 Shares, the bonus factor would be $\frac{3}{2}$ i.e. 1.5. Therefore, the adjusted Exercise Price of the outstanding Options of that Grant including the Bonus Options thereon will be: $200 / 1.5 = ₹ 133.34/-$ per Option.

The treatment of fractional bonus options, if arising on account of the bonus factor, shall be determined by the Remuneration Committee.

6.6 Rights Issue:

In the event of a rights issue of Shares by the Company, the Remuneration Committee will decide on a fair and reasonable adjustment of the Exercise Price and the number of Options in relation to the outstanding Options.

6.7 Restrictions on Options Granted:

Options held by the Optionee are not transferable and cannot be pledged / hypothecated / charged / mortgaged / assigned or in any other manner encumbered, alienated or disposed of.

7. SHARES

Nothing contained in the Scheme is intended to or shall give an Optionee any rights of a shareholder of the Company in respect of the Shares underlying the Options. An Optionee shall acquire the rights of a shareholder only upon allotment of Shares in respect of Options exercised.

7.1 Allotment of Shares:

Allotment of Shares pursuant to Exercise of Options shall be made by the Company only upon (i) the procedure prescribed for this purpose being followed by the Optionee; (ii) realisation of the Exercise Price; and (iii) realisation of the amount payable towards applicable tax as may be determined by the Company.

7.2 Ranking of Shares:

The Shares arising on exercise of Options shall rank pari passu with the then existing Shares, including entitlement as to dividend.

7.3 Restriction on Sale of Shares:

The Shares allotted upon Exercise of Options under the Scheme shall be subject to restrictions provided in the Company's Code of Conduct for Prevention of Insider Trading read with the Insider Trading Regulations, as applicable.

7.4 Listing of Shares:

The Shares allotted on Exercise of Options shall be listed on all the stock exchanges where the Shares are then listed and will be subject to the terms and conditions of LODR Regulations and other Applicable Laws.

8. LEGAL COMPLIANCES

The Scheme shall be subject to Applicable Laws and such regulatory approvals as may be required. The Optionee is required to comply with all laws, rules and regulations in respect of Grant of Options, Exercise of Options and subsequent allotment of Shares under the Scheme as may be applicable. Grant of Options, Exercise of Options and subsequent allotment of Shares under the Scheme entitles the Company to require Optionees to comply with such regulatory requirements as may be necessary.

9. GENERAL RISKS

Participation in the Scheme should not be construed as any assurance of return on the investment made by Optionees in Shares consequent to Exercise of Options. Any loss due to fluctuation in the market price of the Company's Share and the risks associated with such investment(s) will be that of the Optionee alone or that of the Nominee(s) or legal heir(s) of the Optionee, as the case maybe.

10. TAX LIABILITY & OTHER COSTS OR CHARGES

Any tax liability arising to or levied on the Optionee / Company / Demerged Company / Subsidiary, on account of Grant / Exercise of Options or allotment of Shares under the Scheme or sale thereof shall be that of the Optionee or his Nominee(s) or legal heir(s), as the case may be.

The Company / Demerged Company / Subsidiary reserves the right to recover from the Optionee or his Nominee(s) or legal heir(s), as the case may be (by way of deduction from salary and / or in any other manner) any costs borne or charges incurred by the Company / Demerged Company / Subsidiary arising out of Grant / Exercise of Options or allotment of Shares under the Scheme.

The Company shall have no obligation to credit Shares to the beneficiary account of the Optionee / Nominee(s) / legal heir(s) until all dues in respect of the Options have been discharged by the Optionee / Nominee(s) / legal heir(s).

11.CHANGES IN THE SCHEME

The Board may at any time at its absolute discretion alter, amend or modify the Scheme within the Applicable Laws, for its effective implementation; Provided that such variation is not prejudicial to the interests of the Optionees.

12.CONFIDENTIALITY

- a) Optionees shall not divulge the details of their holding to any person except with the permission of the Company.
- b) Optionees shall enter into such agreement(s) as the Company may require from time to time to more fully and effectively implement the Scheme.

13.CONTRACT OF EMPLOYMENT

- a) The Scheme shall not form part of any contract of employment between the Company and the Optionee. The rights and obligations of any Eligible Employee under the terms of employment shall not be affected by such Eligible Employee's participation in the Scheme.
- b) Participation in the Scheme shall not afford an Optionee any rights to compensation or damages in consequence of loss or termination of employment for any reason whatsoever.
- c) No claim shall lie against the Company for any compensation or damages for any loss or potential loss which an Optionee may suffer by reason of being unable to exercise Options, in whole or in part.

14.INTERPRETATION

The Remuneration Committee / Board, as the case may be, shall alone have the power to consider and decide on any dispute, discrepancy or disagreement arising under or as a result of, or pursuant to, or in connection with the Scheme and its decision shall be final and binding.

15.JURISDICTION

In relation to any dispute or difference arising out of or in connection with the Scheme, the same shall be submitted to the exclusive jurisdiction of the Court of competent jurisdiction at Kolkata.
