

# Details of Employee Stock Option Plan (“ESOP”) and Employee Stock Purchase Scheme (“ESPS”)

Financial year 2017-18

## Employee Stock Option Plan (“ESOP”)

The Members at their Annual General Meeting held on August 14, 2001 approved grant of ESOPs to the employees / directors of the Company and its subsidiaries up to 7.5% of the issued and paid-up capital of the Company from time to time. This said limit was enhanced and approved up to 12.5% of the issued and paid-up capital of the Company from time to time, by the Members at their Annual General Meeting held on August 18, 2011. This extended limit is an all-inclusive limit applicable to the stock options (“options”) granted in the past and in force and those that will be granted by the Company under this authorization.

Pursuant to ESOP scheme approved by the Members of the Company on August 14, 2001, the Board of Directors, on March 4, 2002 approved the Employees Stock Option Scheme (“Scheme 2002”) for issue of 4,753,600 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2002, the Company has granted 4,548,920 options prior to the IPO and 619,000 options at various dates after the IPO (including the grants of options out of options forfeited earlier). On August 25, 2010, the Board of Directors approved the Employees Stock Option Plan 2010 Scheme (“Scheme 2010”) for issue of 618,000 options to the employees and directors of the Company and its subsidiaries. According to the Scheme 2010, the Company has granted 638,000 options (including the grants of options out of options forfeited earlier).

Pursuant to ESOP scheme approved by the Members of the Company in their meeting held on August 18, 2011, the Board of Directors approved the Employees Stock Option Plan 2011 Scheme (“Scheme 2011”). Accordingly, the Company has granted 1,950,500 options under the Scheme 2011. Nomination and Remuneration Committee in their meeting held on August 7, 2014 approved Oracle Financial Services Software Limited Stock Plan 2014 (“OFSS Stock Plan 2014”). This plan enables issue of deeply discounted options at the face value and referred to as OFSS Stock Units (“OSUs”) for convenience. Accordingly, the Company granted 165,795 Stock Options and 586,984 OFSS Stock Units (“OSUs”) under OFSS Stock Plan 2014. The issuance terms of OSUs are the same as for Stock Options, employees may elect to receive 1 OSU in lieu of 4 awarded Stock Options at their respective exercise price.

As per the Scheme 2002, Scheme 2010 and Scheme 2011, each of 20% of the total options granted will vest on completion of 12, 24, 36, 48 and 60 months from the date of grant and is subject to continued employment of the employee or directorship of the director with the Company or its subsidiaries. Options have an exercise period of 10 years from the date of grant. The employee pays the exercise price upon exercise of options.

In respect of the OFSS Stock Plan 2014, each of 25% of the total stock options / OSUs granted will vest on completion of 12, 24, 36 and 48 months from the date of grant and is subject to continued employment of the employee with the Company or its subsidiaries. Options / OSUs have exercise period of 10 years from the date of grant. The employee pays the exercise price upon exercise of options/OSUs.

All the above mentioned Schemes of the Company are in compliance with SEBI (Share Based Employee Benefits) Regulations, 2014. Applicable disclosures relating to Employees Stock Options Schemes, pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014, are placed on the website of the Company at [www.oracle.com/financialservices](http://www.oracle.com/financialservices)

The details of the options / OSUs granted under the Scheme 2002, Scheme 2010, Scheme 2011 and OFSS Stock Plan 2014 to eligible employees / directors from time to time are given below:

Particulars	Scheme 2002	Scheme 2010	Scheme 2011	OFSS Stock Plan 2014	OFSS Stock Plan 2014	Total
Pricing Formula	At the market price as on the date of grant				₹ 5	
Variation of terms of options/ OSUs	None	None	None	None	None	
Number of options/OSUs granted till March 31, 2018	5,167,920	638,000	1,950,500	165,795	586,984	8,509,199
Number of options/OSUs lapsed and forfeited	(620,725)	(282,032)	(441,530)	(22,138)	(52,939)	(1,419,364)
Number of options/OSUs exercised	(4,547,195)	(314,483)	(873,088)	(5,286)	(111,747)	(5,851,799)
Total number of options in force as on March 31, 2018	–	41,485	635,882	138,371	422,298	1,238,036

The details of Options / OSUs granted to Directors and Senior Managerial Personnel under OFSS Stock Plan 2014 during the financial year ended March 31, 2018 are as follows:

Particulars	Number of OSUs (OFSS Stock Plan 2014)
i. Directors:	
Mr. Chaitanya Kamat	25,000
ii. Senior Managerial Personnel:	
Mr. Arvind Gulhati	4,750
Mr. Edwin Moses	1,750
Mr. Mahesh K Rao	1,750
Mr. Manmath Kulkarni	2,250
Mr. Makarand Padalkar	10,000
Mr. Onkarnath Banerjee	500
Mr. Prajakt Deshpande	750
Mr. Surendra Shukla	500
Mr. Vikram Gupta	4,750
Mr. Vinayak Hampihallikar	1,250
iii. Any other employee, who receives grant in any one year of option/OSUs amounting to 5% or more of option / OSUs granted during the year	Nil
iv. Identified employees who were granted Options/OSUs, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil
v. Diluted Earnings Per Share (EPS) pursuant to the issue of shares on exercise of option calculated in accordance with Indian Accounting Standard 33 'Earnings Per Share' issued by the Institute of Chartered Accountants of India	₹ 117.21

All stock options were granted at market price on the date of grant and OSUs were granted at the face value of the equity shares. The compensation cost arising on account of stock options and OSUs is calculated using the fair value method. The reported profit is after considering the cost of employee stock compensation (₹ 623.33 million), using fair value method on stock options/OSUs.

A summary of the activities in the Company's Scheme 2002, Scheme 2010 and Scheme 2011 for the year ended March 31, 2018 are as follows:

Particulars	Year ended March 31, 2018					
	Scheme 2002		Scheme 2010		Scheme 2011	
	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)	Shares arising from options	Weighted average exercise price (₹)
Outstanding at beginning of year	12,000	2,333	56,675	2,050	860,798	2,922
Granted	—	—	—	—	—	—
Exercised	(12,000)	2,333	(14,600)	2,050	(196,016)	2,753
Forfeited	—	—	(590)	2,050	(28,900)	3,100
Outstanding at end of the year	—	—	41,485	2,050	635,882	2,966
Vested options	—	—	41,485	—	540,332	—
Unvested options	—	—	—	—	95,550	—
Options vested during the year	—	—	—	—	188,000	—
Options forfeited / lapsed during the year	—	—	590	—	28,900	—

A summary of the activities in the Company's OFSS Stock Plan 2014 for the year ended March 31, 2018 are as follows:

Particulars	Year ended March 31, 2018			
	OFSS Stock Plan 2014			
	Shares arising from OSUs	Weighted average exercise price (₹)	Shares arising from Options	Weighted average exercise price (₹)
Outstanding at beginning of year	395,578	5	138,959	3,466
Granted	129,383	5	9,000	3,579
Exercised	(83,358)	5	(4,513)	3,330
Forfeited	(19,305)	5	(5,075)	3,391
Outstanding at end of the year	422,298	5	138,371	3,481
Vested OSUs / Options	92,910		61,687	
Unvested OSUs / Options	329,388		76,684	
OSUs / Options vested during the year	101,643		33,427	
OSUs / Options forfeited / lapsed during the year	19,305		5,075	

The weighted average share price for the year over which stock options/OSUs were exercised was ₹ 3,795. Money realized by exercise of options/OSUs during the financial year 2017-18 was ₹ 588.80 million. The Company has recovered perquisite tax on the options/OSUs exercised by the employees during the year. The weighted average fair value of stock options/OSUs granted during the year was ₹ 987 and ₹ 3,575 respectively, calculated as per the Black Scholes valuation model considering the following inputs:

	Year Ended March 31, 2018	
	OFSS Stock Plan 2014 (stock options)	OFSS Stock Plan 2014 (OSUs)
	June, 2017	June, 2017
Weighted average share price (in ₹)	987	3,575
Exercise Price (in ₹)	3,579	5
Expected Volatility	23%	23%
Weighted average life (in years)	3.60	3.60
Expected dividend rate	Nil	Nil
Average risk-free interest rate	6.45%	6.45%

The details of options unvested and options vested and exercisable as on March 31, 2018 are as follows:

	Exercise prices (₹)	Number of options/OSUs	Weighted average exercise price (₹)	Weighted average remaining contractual life (Years)
Options /OSUs unvested	5	329,388	5	8.4
	3,077	95,550	3,077	5.5
	3,241	11,994	3,241	7.0
	3,393	40,901	3,393	8.2
	3,579	9,000	3,579	9.2
	3,987	14,789	3,987	7.6
Options /OSUs vested and exercisable	5	92,910	5	7.5
	1,930	73,133	1,930	3.7
	2,050	41,485	2,050	2.4
	3,077	200,489	3,077	5.5
	3,127	266,710	3,127	4.9
	3,241	34,445	3,241	7.0
	3,393	12,556	3,393	8.2
	3,987	14,686	3,987	7.6
		1,238,036	1,983	6.3

## **Employee Stock Purchase Scheme (“ESPS”)**

The Company had adopted the ESPS administered through a Trust with the name i-flex Employee Stock Option Trust (“the Trust”) to provide equity based incentives to key employees of the Company. i-flex Solutions Trustee Company Limited is the sole Trustee of this Trust.

No allocation of shares to the employees have been made through the Trust since 2005 and all selected employees under the Trust have exercised their right of purchase of shares prior to March 31, 2014. In this regard, the Trustee Company had filed a petition in the Hon'ble Bombay High Court to seek directions for utilization of the remaining unallocated shares along with the other assets held by the Trust for the benefit of the employees of the Company. As per the order of the Hon'ble Bombay High Court dated August 1, 2016, the trust funds would be utilized for the benefit of the employees.

As at March 31, 2018, 70,600 equity shares of the Company were held by the Trust (March 31, 2017 - 166,142 equity shares).