ESOP Direct

A QAPITA Company

EQUITY COMPENSATION

TRENDS IN INDIA AND SOUTH EAST ASIA (SEA) - 2022

AN ESOP DIRECT REPORT

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Dear Readers,

Welcome to the 10th edition of our Survey on Equity Compensation Trends in 2022 in India & South East Asia.

This year, leveraging the synergies of both Qapita and ESOP Direct networks, we have secured a high participation rate and extensive coverage. This survey incorporates inputs from 309 Companies (both Listed and Unlisted in India and Unlisted Companies in South East Asia) spread across 22 different sectors. We thank all participants for sharing their plan designs, insights and experiences with us. We can confidently claim that this survey comprehensively represents Indian and South East Asian corporate trends and practices with respect to equity compensation.

Whilst this is the 10th edition of this survey in India, this is the first time we have added an international segment with South East Asia. Over 85 companies have participated and contributed to this survey from the South East Asia region this year.

Our endeavour is to provide analysis that covers market practices and identifies the relationship between various aspects of plan design and administration. There are some interesting observations in this Survey, which would be helpful in understanding and implementing Equity Compensation Plans, and achieve the outcomes desired by management as well as employees. This year we have also analysed some additional responses, which are relevant to the changes in regulations as well as the overall economic situation.

Few key highlights of this survey are as follows:

- Almost 92% to 97% of companies agree that their ESOP Plans have achieved their stated objectives. Over the last ten years, the trend has always been above 90%.

- Companies are also looking at offering Options at a discount to market price or face value linked to performance vesting conditions.

- In Listed Companies in India – Trust route is getting more popular, and to reduce dilution, Companies are also moving towards secondary acquisition.

- A key trend we have been tracking over the years is coverage and quantum. This year we have observed that Companies have increased their coverage and granted options to more employees (deeper distribution within the organisation).

We hope that this Report helps readers to access and understand the current trends in Equity Compensation plans in India and South East Asia.

We sincerely thank all the participants and invite them for continued participation in the future. We will endeavour to make this Survey more inclusive every year. As always, we welcome suggestions to improve and refine our work. Please send in your comments and suggestions to rahul@esopdirect.com

Warm regards,

Ravi Ravulaparthi,
CEO and Co-Founder, Qapita

TABLE OF CONTENTS

EXECUTIVE SUMMARY

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Basic objective of implementing Equity Compensation Plans

Retention and reward continue to be the most significant reasons for granting Equity-based compensation, followed by wealth creation and employee ownership in Listed and Unlisted Companies in India.

For Unlisted Companies in South East Asia (SEA) Retention and attraction of talent continue to be the main factors for granting Equity-based compensation, followed by achievement of performance targets.

Achievement of Objectives

92-97% of the Companies have achieved (fully or partly) the objective of implementing Equity compensation plans in all regions.

Coverage

- 68% of Listed Companies in India grant options to less than 10% of employees.
- 42% of Unlisted Companies in India and SEA covers up to 10% of employees.
- However, we have also seen that around 38% Unlisted Companies in SEA cover more than 50% of their employees.

Selection of Instruments

ESOPs (including discounted ESOPs) continue to be the most popular instrument. RSUs are the next most popular option in Listed/Unlisted Companies in India and Unlisted Companies in SEA

Liquidity for Unlisted Companies

36% of the Unlisted Companies in India have achieved liquidity out of which 37% have cash settled the options and 28% have brought back shares.

13% of Unlisted Companies in SEA have achieved liquidity out of which 33% have cash settled the options and 27% have brought back shares.

Vesting Period

43% of Listed, 50% of Unlisted Companies in India and 72% of Unlisted Companies in SEA have a vesting period of 4 years or more.

Vesting Frequency

77% of Listed, 73% of Unlisted Companies in India and 59% of Unlisted Companies in SEA have an annual vesting schedule.

Exercise Period

91% of Listed Companies in India have an exercise period of up to 6 years.

61% of Unlisted Companies in India and 55% of Unlisted Companies in SEA prefer to allow exercise in connection with a Liquidity Event.

Exercise Price

Listed Companies in India are increasingly moving away from market price grants to grants at face value or at a discount to market price. Unlisted Companies in India are seen shifting from grants at fair market value (FMV) to grants at face value or at a discount to FMV.

Whereas, Unlisted Companies in SEA prefer face value or discount to FMV grants followed by grants at FMV.

Implementation Route

Increasing number of Listed Companies in India are turning to Trust route. Currently, 43% of such Companies follow Trust route as compared to 20% as per the last survey.

90% of Unlisted Companies in India and 92% of Unlisted Companies in SEA have implemented their ESOP Plans directly.

PLAN DESIGN

To get the full report, please write to info@esopdirect.com | info@qapitacorp.com

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