

SBI Life Insurance Company Limited

Disclosures pursuant to SEBI (Share Based Employee Benefits) Regulations, 2014 for the year ended March 31, 2020

Employees Stock Option Scheme (ESOS)

a) Description of ESOS

The Company has granted Stock options to eligible employees with a view to attain performance targets, competitiveness, retention of performers and wealth creation for the employees.

i. Shareholders' approval

The SBI Life Employee Stock Option Plan 2018 ('ESOP 2018') and SBI Life Employees Stock Option Scheme 2018 ('the Scheme' or 'ESOS 2018') has been approved by the shareholders of the Company in the Annual General Meeting (AGM) held on **September 27, 2018** based on the recommendation of the Board Nomination & Remuneration Committee ('NRC') and Board of Directors ('Board') in their meetings held on August 31, 2018.

ii. Total number of options approved under ESOS

The maximum number of stock options granted to eligible employees in accordance with ESOP 2018 shall not exceed 30,000,000 shares. During any one year, no Employee shall be granted Options equal to or exceeding 1% of the issued share capital of the Company at the time of Grant of Options except with the unless an approval from the Shareholders is taken by way of special resolution in a General Meeting. Further, the maximum number of Options in aggregate granted to an employee under this Plan shall not exceed 1,00,00,000 Options.

iii. Vesting requirements

Vesting of the Options are subject to continued employment achieving a minimum annual performance rating as prescribed in the ESOS 2018.

iv. Exercise price or pricing formula

The Exercise Price for the Options granted shall be the Fair Market Value or Average Fair Market Value, whichever is lower. Average Fair Market Value" is simple average of the closing price of the share on the recognized stock exchange during 15 trading days immediately prior to the relevant date.

As the Shares of the Company are listed on more than one recognized stock exchange, closing price of the share on the recognized stock exchange, which is considered for the purposes of arriving at the Fair Market Value.

Fair value of Equity-settled share-based payment is calculated as per the Black-Scholes-Merton formula which is one of Option-Pricing Models as recommended under Guidance Note on Accounting for Employee Share-based Payments (GN(A) 18 (Issued 2005)).

v. Maximum term of options granted

The maximum term of options granted is 7 years from the Grant Date.

vi. Options granted during FY 2020

During the year the NRC in its meeting held on July 23, 2019 has approved the grant of 959,350 stock options to its eligible employees in accordance with the Company's Employee Stock Option Plan ('ESOP') and Employee Stock Option Scheme ('ESOS') approved by the shareholders of the Company. Out of the total options granted, no options are vested during the year.

The Scheme is in compliance with SEBI (Share Based Employee Benefits) Regulations 2014, as amended from time to time. Further, there are no changes/variation in the scheme.

The salient features of ESOS 2018 are as stated below:

Particulars	2018-19	2019-20
Grant date	December 11, 2018	July 23, 2019
Number of options granted	1,041,510	9,59,350
Maximum term of options granted/ Contractual Life	7 years from the grant date	7 years from the grant date
Graded Vesting Period		
1st Year	30% of options granted	30% of options granted
2nd Year	30% of options granted	30% of options granted
3rd Year	40% of options granted	40% of options granted
Mode of settlement	Equity shares	Equity shares
Exercise Price	₹ 562.45	₹ 759.01
Sources of Shares	Primary	Primary

b) Method of Accounting for ESOS

The Company follows intrinsic value method to account for its share-based employee compensation plans in accordance with the Guidance Note on Accounting for Employee Share based Payments, issued by the Institute of Chartered Accountants of India (ICAI).

c) Option movement during the year

A summary of status of Company's Employee Stock Option Scheme in terms of options granted, forfeited and exercised is given below:

Particulars	Year ended March 31, 2020		Year ended March 31, 2019	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	1,038,610	562.45	-	-
Add: Granted during the year	959,350	759.01	1,041,510	562.45
Less: Forfeited/lapsed during the year	(31,489)	574.50	(2,900)	562.45
Less: Exercised during the year	(26,295)	562.45	-	-
Outstanding at the end of the year	1,940,176	659.45	1,038,610	562.45
Exercisable at the end of the year ¹	276,624	562.45	-	-

¹ vested options available for exercise at the end of the year.

During the year ended March 31, 2020, the Company has granted 959,350 options to its eligible employees under ESOS 2018, of which no options are vested or exercised. Out of the total outstanding as at the end of the previous year ended March 31, 2019, 302,919 options are vested during the year ended March 31, 2020.

During the year ended March 31, 2020 ₹ 14,790 thousands has been received on exercise of 26,295 options resulting in increase in paid-up equity share capital by ₹ 263 thousands and securities premium by ₹ 14,527 thousand. The Company has recognised a compensation cost of ₹ 1,126 thousands for the year ended March 31, 2020 (previous year ended March 31, 2019: ₹ Nil) since the intrinsic value of the options granted on July 23, 2019 is ₹ 3.14 per option.

The weighted average remaining contractual life of the options outstanding as at March 31, 2020 is 6.0 years (Previous year ended March 31, 2019: 6.7).

d) Weighted-average exercise prices and weighted-average fair values of options

Particulars	2018-19	2019-20
Grant date	December 11, 2018	July 23, 2019
Number of options granted	1,041,510	9,59,350
Exercise Price	₹ 562.45	₹ 759.01
Fair value of shares as on grant date	₹ 562.45	₹ 762.15
Intrinsic value of stock option	Nil	₹ 3.14
Fair value of options granted	₹ 198.00	₹ 251.09

Weighted-average exercise price and weighted-average fair value of options whose exercise price is either equals or exceeds or is less than the market price of the stock for options granted during the year is ₹ 759.01 per options and ₹ 251.09 per option respectively.

e) Disclosure regarding Fair value methodology

Method of computation of Fair Value of Options:

The fair value of options has been calculated using the Black-Scholes model. The key assumptions considered for calculating fair value of the options as on the grant date are as follows:

Particulars	Year ended March 31, 2020	Year ended March 31, 2019	Basis
Risk free interest rate	6.52%	7.30%	Determined based on G-Sec yield on the grant date corresponding to maturity period equal to expected life of options
Expected life of the options (years)	4.55	4.55	Average of the weighted-average time to vesting and the contractual life of options
Expected dividend yield	0.30%	0.36%	Calculated based on recent rate of dividend declared
Expected volatility	25%	26.78%	Based on historical stock prices using annualised standard deviation of daily change in stock price.

Fair value of option of options granted as on December 11, 2018 (i.e. grant date) is ₹ 198.00.

Fair value of option of options granted as on July 23, 2019 (i.e. grant date) is ₹ 251.09.

Impact of the fair value method on the net profit and earnings per share:

Had the compensation cost for the Company's stock option plans been determined based on the fair value approach, the Company's net profit for the year and earnings per share (both basic and diluted) would have been as per the proforma amounts indicated below:

Sr. No	Particulars	Year ended March 31, 2020	Year ended March 31, 2019
1	Net Profit after tax as per Profit & Loss Account available for both basic and diluted earnings per share ₹ ('000)	14,221,831	13,267,964
	Add: Stock-based employee compensation expense under intrinsic value method ₹ ('000)	1,126	-
	Less: Stock-based compensation expense determined under fair value based ₹ ('000)	182,584	33,863
2	Net profit (proforma) ₹ ('000)	14,040,373	13,234,101
3	No of equity shares for basic earnings per share	1,000,003,338	1,000,000,000
	Add: Weighted average outstanding options deemed to be issued for no consideration	235,034	34,102

4	Weighted average number of equity shares for Diluted Earnings per Share	1,000,238,372	1,000,034,102
5	Basic Earnings per share (₹) (proforma) (2/3)	14.04	13.23
	Diluted Earnings per share (₹) (proforma) (2/4)	14.04	13.23

f) Employee wise details of options granted during the year:

Particulars	Name of Employee	Designation	No. of options granted during the year	Exercise Price per option
A. Senior Managerial Personnel	Mr. Sanjeev Pujari	President - Actuarial & Risk Management & Chief Risk Officer	34,460	₹759.01
	Mr. Anand Pejaware	President - Operations, Information Technology and International Business	23,220	
	Mr. Ravi Krishanmurthy	President - Marketing (Zone 1)	17,680	
	Mr. M Anand	President - Marketing (Zone 2)	22,250	
	Mr. Ravindra Kumar	President - Marketing (Zone 3)	12,890	
	Mr. Abhijit Gulanikar	President - Business Strategy	23,820	
	Mr. Sangramjit Sarangi	President & Chief Financial Officer	20,350	
	Mr. Subhendu Kumar Bal	Appointed Actuary	20,800	
	Mr. Gopikrishna Shenoy	Chief Investments Officer	12,140	
	Mr. Ravindra Sharma	SVP & Chief of Brand & Corporate Communication	5,280	
	Mr. Pranay Raniwala	Compliance Officer	2,110	
B. Any other employee who receives a grant in any one year of options amounting to 5% or more of option granted during that year	None	None	Nil	Nil

Particulars	Name of Employee	Designation	No. of options granted during the year	Exercise Price per option
C. Identified employees who were granted option, 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.	None	None	Nil	Nil

During the year FY 2020, the Company has not granted any loan to its employees for purchasing shares of the Company.

The disclosures pursuant to SEBI (Share Based Employee Benefits) Regulations 2014, Guidance Note on accounting for employee share based payments, disclosure of diluted EPS in accordance with 'Accounting Standard 20 - Earnings Per Share' issued by ICAI or any other relevant accounting standard have been disclosed in the Notes to Accounts which form part of financial statements in the Annual Report.