

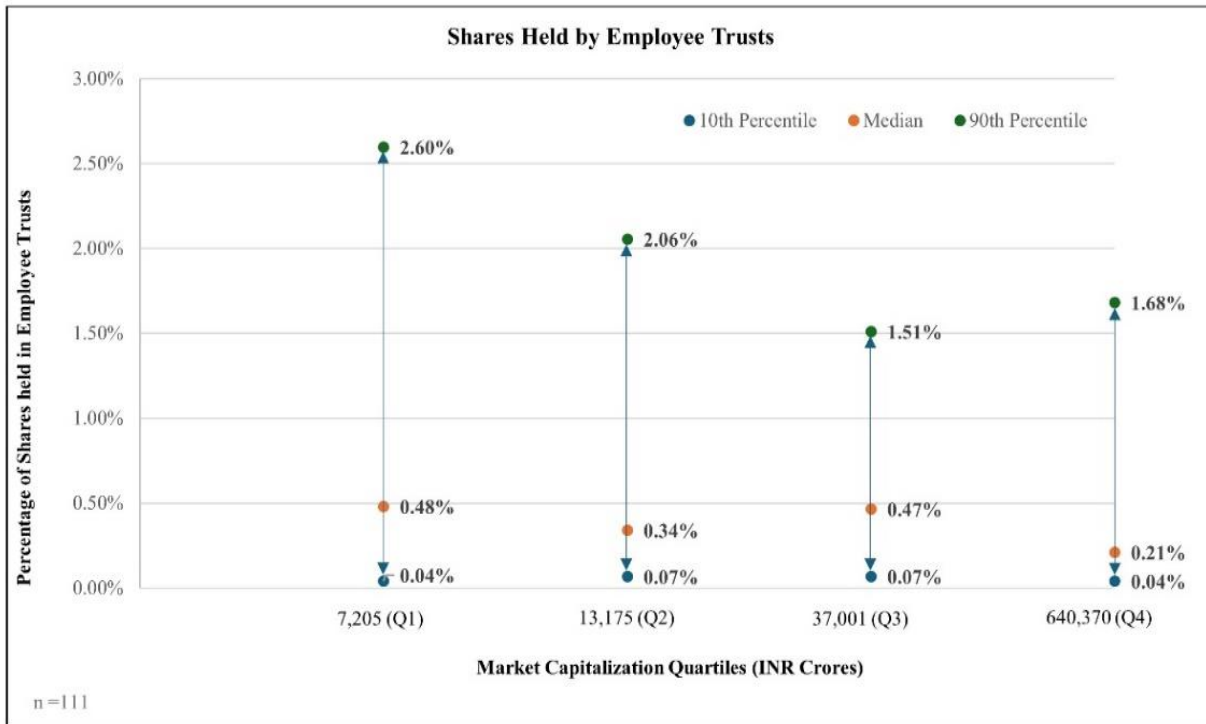
Shareholding Levels in Employee Benefit Trusts

March 2024

It is not uncommon to see share based compensation schemes being implemented using a Trust route. Trust route is mandatory, if a company wants to do a secondary market purchase of shares to run these programs. Our analysis shows the shareholding in the Employee Benefit Trust for 111 listed companies where there is at least some holding in the Employee Benefit Trust.

Shareholding in Employee Trusts

Some listed companies in India use Trusts to run share-based employee benefit plans. Approx. 13% of 856 listed companies with ₹2,500 Crore and above Market Cap have some shareholding in Employee Trusts. Below chart shows the Trust shareholding in companies categorized by Market Cap



Notes:

- Note that it is not necessary that all Trust shareholding is through secondary market purchase
- Entire shareholding of the Trust may not be backed by stock compensation grants

Exec-Rem

As per Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (SBEB regulations), an Employee Benefit Trust must ensure that the total shares acquired through secondary acquisition should at no point exceed below mentioned limits as a percentage of the company's paid-up equity capital at the end of the previous financial year prior to obtaining shareholder approval for such acquisitions:

S.No.	Particulars	Limit
A	For the schemes enumerated in Employee Stock Option Scheme (ESOS), Employee Stock Purchase Scheme (ESPS) or Stock Appreciation Rights Scheme (SAR) under SBEB regulations	5%
B	For the schemes enumerated in General Employee Benefit Scheme (GEBS) or Retirement Benefit Scheme (RBS) under SBEB regulations	2%
C	For all the schemes in aggregate	5%