

APOLLO HOSPITALS ENTERPRISE LIMITED



CIN : L85110TN1979PLC008035

August 22, 2024

The Secretary,
Bombay Stock Exchange Ltd (BSE)
Phiroze Jheejheebhoy Towers,
Dalal Street,
Mumbai - 400 001.
Scrip Code - 508869
ISIN INE437A01024

The Secretary,
National Stock Exchange,
Exchange Plaza, 5th Floor
Plot No.C/1, 'G' Block
Bandra - Kurla Complex
Bandra (E)
Mumbai - 400 051.
Scrip Code-
APOLLOHOSP
ISIN INE437A01024

Dear Sir

Subject: Additional Information in respect of ESOPs placed for approval of members in the Notice to the Shareholders dated 3rd August 2024.

This is to inform you that on August 8, 2024, we circulated the Notice dated 3rd August 2024, regarding the Annual General Meeting (AGM) of the Company scheduled to be held on August 30, 2024.

Subsequently, certain queries were received concerning Agenda Items 6 & 7 mentioned in the Notice which are as set out below:

Item No.	Description	Type of Resolution
6.	Adoption of Apollo Hospitals Enterprise Limited Employee Stock Option Plan 2024 (Apollo ESOP 2024)	Special
7.	Extension of benefits of Apollo Hospitals Enterprise Limited Employee Stock Option Plan 2024 to the Eligible Employees of the subsidiary companies, associate companies, joint ventures and group companies of the Company	Special

In response to these queries, the Company hereby provides additional information in respect of the aforesaid two items that form part of the Notice.

The additional information is enclosed herewith for your reference.

Please note that all other details provided in the original Notice, including the processes, notes, and instructions related to e-voting, remain unchanged.

The said additional information is also available on the Company's website www.apollohospitals.com
Kindly take the same on record and oblige.

Thanking You,

Yours faithfully,
For APOLLO HOSPITALS ENTERPRISE LIMITED

S.M. KRISHNAN
Sr. VICE PRESIDENT - FINANCE

AND COMPANY SECRETARY



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19, Bishop Gardens,
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Chennai - 600 028.

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#55, Greams Road,
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Additional Information in respect of the ESOPs that is placed for approval of the members in the Notice to the Shareholders (the "Notice") dated 3rd August 2024 relating to the Annual General Meeting ("AGM") of Apollo Hospitals Enterprise Limited being held on 30th August 2024.

Apollo Hospitals Enterprise Limited ("Apollo Hospitals" or the "Company"), with this document, seeks to provide additional information in respect of the Apollo Hospitals Enterprise Limited Employee Stock Option Plan 2024 (the "ESOP").

Purpose of the ESOP

The ESOP is planned to be a **cornerstone of our broader People initiatives within our sustainability strategy**, designed to attract, retain, and reward key employees, fostering a sense of ownership within our employee base that we believe is critical to driving long-term shareholder value.

In the **intensely competitive landscape of the healthcare sector in India**, where private equity-driven players aggressively pursue top talent, retention becomes a strategic imperative. As the industry leader, Apollo Hospitals is frequently targeted for poaching, making this ESOP not just a benefit but a necessity.

Of the overall ESOP, **not over 25% will be issued to Senior Management Personnel** (one level below the Board), with the rest available to employees up to 5 levels below the Board. **The current ESOP is expected to last for up to 8 years, with a maximum dilution caused by the ESOP limited at 1.5% of total issued share capital ("ISC")**, which is significantly below market practice. Note, the maximum grant amount to a single employee under the ESOP is limited at 0.15% of ISC, which is also significantly below the regulatory limit of 1%.

Option Pricing

Any discount would generally be limited to 20%, but the flexibility to grant options between Face Value and Fair Market Value was considered vital by the Board given the diverse pool the ESOP is designed to serve as also the competitive intensity being witnessed in the industry. With a **fully independent Nomination and Remuneration Committee** overseeing the ESOP, safeguarding shareholder interests will be a top priority.

Performance Measures and Targets

The Company is committed to implementing performance measures that align employee incentives with shareholder interests and for **all option vesting**, performance measures will be attached to ensure that there is a pay-for-performance link. These performance measures will be carefully selected and calibrated by the fully independent Nomination and Remuneration Committee to reflect the Company's strategic goals and ensure adequate incentive to drive the profitability and sustainability of the business to create shareholder value.

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The vesting of the options in all cases will be based on achievement of performance measures where **50% of the award will be determined based on 'Company Performance', with the remaining 50% based on 'Individual Key Results Area'**.

The **'Company Performance'** will be measured on **Revenue growth, EBITDA growth, and Quality goals (JCI score & NPS) – equal weightage to all.** **'Individual Key Results Area'** will be based on the **annual rating for all individuals considering both financial and extra-financial measures (which includes sustainability criteria).**

While we recognize the competitive risk associated with prospectively disclosing specific performance targets – a concern we thoroughly discussed with our institutional investors during our engagement – we were pleased with their understanding, particularly given our transformational plans. Accordingly, we are sharing the vesting schedule that outlines the operation of the ESOP, where stretching targets specific to the award are **pre-established by the Board at the beginning of the financial year** and the plan only rewards employees for meeting challenging targets.

In fact, the plan begins to vest only after employees meet a challenging performance threshold, with **maximum vesting of the 'Company Performance' awards occurring only when performance surpasses the rigorous targets approved by the Board.** This ensures the plan effectively incentivizes and rewards exceptional performance.

We also commit to retrospectively disclose these targets and achievements in future Annual Reports at the time of vesting, ensuring stakeholders can easily evaluate the linkage between pay and performance. Finally, the Board believes the Nomination and Remuneration Committee's independent oversight will reassure shareholders that targets set are both robust and aligned with shareholder value creation.

Performance Criteria	Criteria Weight	Threshold 25% Vesting	50% Vesting	75% Vesting	Maximum 100% Vesting
Company Performance	50%				
Revenue Growth	16.7%	80% of Target Revenue Growth set by Management and approved by the Board at beginning of FY.	90% of Target	100% of Target	110% of Target
EBITDA Growth	16.7%	80% of Target EBITDA Growth	90% of Target	100% of Target	110% of Target
Quality Goals	16.7%	80% of Target	90% of Target	100% of Target	110% of Target
Individual Key Results Areas	50%	1/5 points via our points-based assessment.	2/5 points	3/5 points	4/5 points

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Vesting Period

The Nomination and Remuneration Committee reinforced the long-term focus of the ESOP to remove any doubt about the plan's intent to align employees' interests with those of shareholders. The **minimum vesting period is two years**, underscoring our commitment to long-term value creation and exceeding the minimum expected from us. **The vesting period will be generally four years.**

Participants

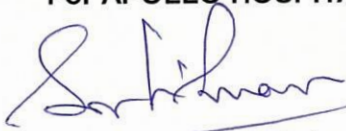
The Nomination and Remuneration Committee intends to limit grant of options under ESOP only **to the employees of Apollo Hospitals and its subsidiaries.**

It is important to note that employees of Apollo Health & Lifestyle Limited (AHLL) and Apollo HealthCo Limited (AHL) are not eligible, as they already have their own option schemes.

Overall, the management believes that the proposed ESOP has been diligently designed to maximize shareholder value by attracting, retaining, and motivating key talent. It is consistent with market practices (even going beyond in many aspects), stakeholder expectations, and aligns with the Company's long-term strategy.

The maximum dilution of 1.5% of ISC over a period is also notably lower than the market average and that prescribed by leading proxy advisors, further underscoring our balanced approach.

For APOLLO HOSPITALS ENTERPRISE LIMITED



SM KRISHNAN
SR. VICE PRESIDENT – FINANCE
AND COMPANY SECRETARY



Place : Chennai

Date : 22nd August 2024