



## Template employee share option plan (ESOP)

### User notes

This is a set of employee share option plan rules for use by tech start-ups based in Southeast Asia wishing to grant options to purchase ordinary shares in the company to directors, employees or contractors.

The rules include a template letter of grant to send to each employee, director or contractor who is to be offered options in the company. If the recipient wishes to accept the offer then they must countersign and return the letter of grant to the company within 21 days. The company only issues the option certificate to the option holder once it has received the countersigned letter of grant (the form of that certificate is also set out in these rules).

The company needs to take tax and accounting advice in respect of options before adopting any form of share option scheme. Share option schemes are simple to set up but are not the most effective share scheme from a tax perspective. The taxation treatment will of course vary depending on applicable law but, very often, the holder of the options is taxed on the difference between the exercise price and the market value of a share in the company on the date an option is exercised.

These rules would ideally be used in conjunction with a shareholders' agreement and constitution that adequately deal with small minority shareholdings, including pre-emptive rights on share transfers.

Your lawyer or company secretary will need to complete any necessary board and/or shareholder resolutions needed to implement this document.

You should obtain tax and accounting advice before adopting this document.

This document should be used in conjunction with company governance documents (e.g. constitution and/or shareholders' agreement) that adequately deal with small minority shareholdings, including pre-emptive rights on share transfers and drag along.

### applicable law

This document is intended for use by companies domiciled in Southeast Asia. Because the laws in each Southeast Asian country are different, you should have the document reviewed by a local lawyer. We have suggested (as a placeholder) that the document be subject to Singapore law as this is the most common domicile of tech companies raising capital in Southeast Asia, and Singapore is well respected as a legal jurisdiction.

Subject to local company law, the implementation of a share option scheme will usually require the passing of directors' and shareholders' resolutions approving the scheme, the grant of the options and any issue of the underlying shares on any exercise of the options.

### using this template

The **User Notes** and the statements in the footer below (all marked in red) are included to assist in the preparation of this document. They are for reference only – you should delete all user notes and the statements in the footer from the final form of your document.

The use of [*square brackets*] around black text means that:

- ▲ the requested details need to be inserted
- ▲ there are different options for you to consider within a clause
- ▲ the whole clause is optional and you need to consider whether to include it, based on the company's circumstances and the user notes.

Before finalising your document, check for all square brackets to ensure you have considered the relevant option and ensure that all square brackets have been deleted.

If you delete any clauses or schedules, remember to cross reference check the document.

# RULES OF THE EMPLOYEE SHARE OPTION PLAN OF [*COMPANY NAME*]

## 1 INTERPRETATION

1.1 In these Rules, unless the context otherwise requires, the following words and expressions have the following meanings:

Definition	Meaning
<b>Board</b>	the board of directors of the Company from time to time, or a duly appointed ESOP committee of that board.
<b>Business Day</b>	Monday to Friday, other than any public holiday that occurs in [ <i>Singapore</i> ].
<b>Cause</b>	<p><b>[User note: The below are examples of what may constitute “Cause”. The company may want to narrow or broaden the circumstances as appropriate.]</b></p> <p>termination on grounds of misconduct or any other conduct that is inconsistent with the fulfilment of the express or implied terms of the Option Holder's service to the Company. Those grounds include, but are not limited to, the Option Holder:</p> <ul style="list-style-type: none"> <li>▲ committing a material breach of the Option Holder's employment, contractor or services agreement with the Company;</li> <li>▲ intentionally failing to perform any of the Option Holder's duties to the Company;</li> <li>▲ committing a material breach of the Rules;</li> <li>▲ taking any action that materially and adversely affects the Company;</li> <li>▲ refusing to comply with the reasonable directives of the Option Holder's manager(s) or any of the Company's policies and procedures;</li> </ul>

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- ▲ committing gross negligence in the performance of the Option Holder's duties;
- ▲ committing wilful dishonesty, fraud, or misconduct with respect to the business or affairs of the Company;
- ▲ being convicted of any criminal offence which may result in a term of imprisonment or which involves dishonesty;
- ▲ breaching any obligations of confidentiality or non-competition owed to the Company; or
- ▲ breaching any duty to act in good faith towards the Company.

**Constitution** the constitution or articles of association (as applicable) of the Company, as amended or replaced.

**Company** [insert], a company incorporated in [insert] whose registered office is at [insert].

**Employee Share Option Plan or ESOP** the Company's employee share option plan, consisting of these Rules and each Letter of Grant.

**Exercise Price** ***[User note: The Exercise Price is the price per share that the option holder will pay when the options are exercised. This is very often the market price of a share at the date of grant of the option (i.e. the date of the relevant Letter of Grant). It depends on the country of domicile but very often the option holder will be liable for tax when he or she exercises or sells the option on the difference between the Exercise Price and the market price of the shares at the time the option is exercised.]***

the price payable for an Option Share upon the exercise of a Vested Option, as stated in the relevant Letter of Grant.

**Expiry Date** ***[User note: This is the final date on which an option holder can exercise his or her options. Consider what is appropriate for your company – consider the likely time frame for a liquidity event v/s the period***

*during which you are comfortable having options outstanding. Typically this might be between 5-8 years from the date of grant.]*

the date that is *[insert]* years following the date of the relevant Letter of Grant.

<b>Letter of Grant</b>	a letter from the Company to an Option Holder setting out the number of Options granted to an Option Holder and the Exercise Price in respect of those Options.
<b>Option</b>	an option granted to an Option Holder in accordance with a Letter of Grant, each being a right to subscribe for one Ordinary Share.
<b>Option Holder</b>	an employee, director or contractor of the Company to whom Options have been granted under the ESOP.
<b>Option Share</b>	an Ordinary Share issued on the exercise of an Option.
<b>Ordinary Share</b>	an ordinary share in the share capital of the Company, the rights of which are set out in the Shareholders' Agreement and the Constitution.
<b>Rules</b>	these rules, including the Schedules attached to them.
<b>Shareholders' Agreement</b>	<p><i>[User note: It is most likely that at the point at which a ESOP is implemented the company will already have a shareholders' agreement in place and these Rules assume that this is the case.]</i></p> <p>the shareholders' agreement between the Company and the shareholders of the Company dated <i>[insert]</i>, as amended.</p>
<b>Shares</b>	all shares in the share capital of the Company, including any Option Shares.
<b>Vest</b>	the right to exercise an Option which arises on the vesting date of that Option in accordance with these Rules and the relevant Letter of Grant, and <b>Vested</b> and <b>Unvested</b> have corresponding meanings.
<b>Vesting Schedule</b>	the vesting schedule attached as the Appendix to the Letter of Grant.

## 1.2 Interpretation:

- a A reference to:
  - i a **Rule** or a **Schedule** is to a Rule in or a Schedule to these Rules;
  - ii a **person** includes bodies corporate, unincorporated associations or partnerships;
  - iii **including** and similar words do not imply any limitation;
  - iv a statute includes references to that statute as amended or replaced from time to time; and
  - v **\$** or **dollars** is to [*Singapore*] currency.
- b The headings in these Rules are for convenience only and have no legal effect.
- c The singular includes the plural and vice versa.
- d If there is any conflict of meaning between the main body of these Rules and a Schedule, the main body of these Rules prevails, unless expressly stated otherwise in the Schedule.

## 2 ADMINISTRATION OF THE ESOP

**[User note: Some companies administer their ESOP through a board appointed committee which may only include certain directors. ESOP Rules can therefore sometimes set out the constitution of this committee. This document assumes that the full board of directors will make decisions on the administration of the plan, but the directors are entitled to subsequently set up a committee if they wish.]**

- 2.1 **Administration by the Board:** The ESOP is to be implemented and administered by the Board. The Board is to determine all questions of interpretation concerning a Letter of Grant or these Rules, and any determination made by the Board is final and binding upon all persons having an interest in the ESOP.
- 2.2 **Offers of Options:** Subject to Rule 4 and applicable law, the Board may offer Options to any employee, director or contractor of the Company in accordance with the terms of the ESOP. Each offer is to be made by way of a Letter of Grant in substantially the form set out in Schedule 1 (or as amended by agreement of the Board).
- 2.3 **Option register:** The Company must maintain a register setting out all current Option Holders and the number of Vested Options held by each Option Holder.

## 3 AMENDMENTS TO THE RULES

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The Board may vary these Rules at any time for the purpose of implementing or administering the ESOP. The Board may do all acts and things, enter into any transactions, agreements, deeds, documents or arrangements, make any rules or regulations or impose any terms and conditions as the Board, in its sole discretion, considers to be necessary or desirable to give full effect to the ESOP.

#### **4 SIZE OF THE ESOP**

**[User note: This is the maximum number of options that can be allocated under the ESOP without amending the terms of the ESOP or adopting a new share option plan.]**

- 4.1 **ESOP pool:** Subject to Rule 4.2, the maximum number of Options which may be issued in accordance with the ESOP is *[insert]*.
- 4.2 **Adjustments to ESOP pool:** If an Option is cancelled, lapses, or is otherwise terminated, or if an Option Share is cancelled, an additional Option may be issued in accordance with Rule 2.2.

#### **5 VESTING AND EXERCISE OF OPTIONS**

- 5.1 **Vesting of Options:** The Options granted to an Option Holder under a Letter of Grant will Vest progressively in accordance with the Vesting Schedule. Subject to Rule 8, the Option Holder may exercise an Option that has Vested at any time during the period commencing on the date on which the Option Vested and ending on the Expiry Date.
- 5.2 **Expiry:** Any Option that is not exercised on or prior to the Expiry Date lapses on the Expiry Date.
- 5.3 **Exercise by written notice:** An Option that has Vested may be exercised by the relevant Option Holder:
- a providing at least 10 Business Days' written notice to the Board in substantially the form set out in Schedule 2;
  - b paying to the Company the Exercise Price in cleared funds in respect of each of the Options being exercised on or before the date set out in the notice provided to the Company in accordance with Rule 5.3a, in cleared funds and into the nominated bank account of the Company; and
  - c providing any other documentation which the Board may require in its sole discretion.
- 5.4 **Issue of Option Shares:** Following an Option Holder's exercise of Vested Options in accordance with the ESOP, the corresponding number of Option Shares in the Company must be issued to the Option Holder.

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- 5.5 **Failure to pay:** If an Option Holder fails to pay the Exercise Price in accordance with Rule 5.3b then, unless otherwise determined by the Board, the Option Holder's entitlement to those Options lapses, even if the Expiry Date of those Options has not passed.
- 5.6 **Compliance with laws:** A Vested Option may not be exercised by an Option Holder if, in the opinion of the Board, the issuance of Option Shares to that Option Holder would constitute a violation of any applicable law or would be in violation or breach of any provision of the ESOP. As a condition to the exercise of a Vested Option, the Board may require an Option Holder to provide evidence that the issue of Option Shares to that Option Holder would be in compliance with all applicable laws and the terms of the ESOP.
- 5.7 **Deed of accession:** As a condition to the issue of any Option Shares, the relevant Option Holder will (if it is not already a party) be required to execute a deed of accession to the Shareholders' Agreement (in a form acceptable to the Board in all respects).
- 5.8 **No distribution:** By holding Options, an Option Holder does not have the rights of a shareholder in the Company and is not, except as provided in Rules 6 and 7, entitled to participate in any distribution nor any issue of Shares or other securities in or in respect of the Company other than the Ordinary Shares to be issued upon the exercise of Options in accordance with the ESOP.
- 5.9 **No transfer:** Options are personal to the relevant Option Holder and are not transferable without the approval of the Board, which approval may be withheld in the Board's absolute discretion.

## 6 **ADJUSTMENTS**

- 6.1 **Bonus issue, consolidation or subdivision:** If there is any bonus issue, consolidation or subdivision of any Shares or any reduction or cancellation of the share capital of the Company (or any similar reorganisation of the capital of the Company), the number of Options, the Exercise Price, or both may be adjusted by the Board to ensure that the economic effect of the Options remains the same.
- 6.2 **Notice:** Following any adjustment made pursuant to Rule 6.1, the Company must notify the Option Holders in writing and deliver to them a statement setting out the adjusted number of Options and Exercise Price. Any adjustment will take effect from the date that the statement is delivered to an Option Holder.
- 6.3 **Restructure:** If there is a restructure of the Company, its share structure or its business (including the establishment of a new holding company in **[User note: The following should be amended depending on the jurisdiction where the Company**

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**is registered** [Singapore] or overseas for the purpose of procuring investment), the Board may cancel the Options and procure the issue of new options in the Company, a new holding company or any other entity if the Board acting in good faith considers that the economic effect of those new options remains substantially similar to the existing Options.

## **7 TERMS OF ISSUE OF OPTION SHARES**

An Option Share issued as a consequence of the exercise of an Option will rank for dividends from the date it is issued and will otherwise rank equally in all respects with the other Ordinary Shares of the Company then in issue. It is acknowledged by the Option Holders that the Company may have issued or may in the future issue any other class of Shares ranking in any or all respects in priority to the Ordinary Shares.

## **8 CANCELLATION OF OPTIONS**

- 8.1 **Good leaver:** If an Option Holder ceases to be an employee, director or contractor of the Company for any reason other than Cause:
- a all Options that have not Vested as at the date that the Option Holder ceases to be an employee, director or contractor of the Company (**Good Leaver Date**) will be cancelled without compensation on that date; and
  - b all Options that have Vested as at the Good Leaver Date must be exercised during such period as will be determined by the Board in its sole discretion at the relevant time, and any Options not exercised within that period will lapse, unless the Board determines otherwise.
- 8.2 **Bad leaver:** If an Option Holder ceases to be an employee, director or contractor of the Company for Cause:
- a all Options (Vested or otherwise) will be cancelled without compensation on the date that the Option Holder ceases to be an employee, director or contractor of the Company (**Bad Leaver Date**); and
  - b the Company will have the option to purchase some or all of the Option Shares held by the Option Holder at the Exercise Price paid by the Option Holder for those Option Shares (**Call Option**).
- 8.3 **Exercise of the Call Option:** The Company may exercise the Call Option by notice in writing to the Option Holder at any time during the period from the Cessation Date to the date that is 12 months following the Bad Leaver Date, specifying the number of Option Shares that the Company wishes to purchase (**Call Exercise Notice**).

- 8.4 **Purchase price:** The purchase price for each of the Option Shares that is the subject of a Call Exercise Notice will be the Exercise Price.
- 8.5 **Settlement:** The date of settlement of any transfer of Option Shares undertaken in accordance with this Rule 8 will be the date that is one month from the date of the Call Exercise Notice, or an earlier date notified to the Option Holder in writing by the Company at least 5 Business Days in advance (**Settlement Date**). On the Settlement Date:
- a the Option Holder must sign any documents or resolutions and do any other thing as may be necessary to transfer the number of Option Shares specified in the Call Exercise Notice from the Option Holder to the Company; and
  - b the Company must pay to the Option Holder the total purchase price for the number of Option Shares specified in the Call Exercise Notice.

## 9 EARLY VESTING OF OPTIONS

### 9.1 Options Vest on a liquidity event: If:

- a the Company enters into a listing agreement with **[User note: The following may need to be amended depending on the jurisdiction where the Company is registered]** [Singapore Exchange Securities Trading Limited], or other national stock exchange of similar or better standing;
- b one or more shareholders of the Company enter into a binding agreement with a third party (or a group of associated third parties) on arms' length terms under which the third party is to acquire 50% or more of the voting Shares of the Company, and that agreement becomes unconditional;
- c the Company enters into a binding agreement to dispose of assets comprising more than half the value of the Company's assets and that agreement becomes unconditional; or
- d the Company resolves to amalgamate with any other company (whether or not it is the continuing company), in a transaction that is in substance the same as those in b and c above,

(each a **Liquidity Event**),

**[User note: The rule below provides that 100% of unvested options automatically vest on completion of a Liquidity Event. Some companies prefer to specify a lower percentage if it expects that an acquirer may want at least part of the unvested options to continue to vest post-acquisition as a means of incentivising the acquired employees. If you would like to provide that less than 100% of**

***unvested options vest on the Liquidity Event, you should take advice on the drafting. Practically, it is unlikely that the existing plan will be continued in its current form following the Liquidity Event and therefore option holders will receive the benefit of an equivalent incentive scheme, for example in the acquiring company.]***

then unless otherwise directed by the Board, 100% of the Unvested Options will immediately Vest to the extent that they have not done so at the date of the Liquidity Event, and all of the Vested Options may be exercised on or before the date of completion of the relevant transaction triggering the Liquidity Event (**Completion**). Any Vested Options not exercised by that date automatically lapse.

- 9.2 **Options may be cash settled:** If there is a Liquidity Event, the Company may cash settle some or all of the Options by paying an Option Holder the difference between the value of an Ordinary Share as determined by the Liquidity Event and the Exercise Price for each Option being cash settled. If an Option is cash settled, the Option automatically lapses.

## **10 TRANSFER OF OPTION SHARES**

- 10.1 **Restriction on transfer:** No Option Shares may be sold, transferred or otherwise disposed of by an Option Holder unless the Option Holder has provided the Board with a written notice setting out:

- a the number of Option Shares that the Option Holder wishes to transfer;
- b the price per Option Share to be paid by the intended purchaser; and
- c the identity of the intended purchaser,

and the Board has approved that sale, transfer or other disposal in writing, which approval may be withheld in the Board's absolute discretion.

- 10.2 **Other restrictions on transfer:** Any sale, transfer or other disposal of Option Shares by an Option Holder in accordance with Rule 10.1 will be subject to any restrictions or limitations on the transfer of Shares set out in the Shareholders' Agreement or the Constitution.

- 10.3 **Stamp duty:** Any stamp duty (or similar) payable in connection with a sale, transfer or other disposal of any Option Shares in accordance with Rule 10.1 will be met by the transferring Option Holder.

- 10.4 **Void transfers:** Any purported sale, transfer or other disposal of any Option Shares by an Option Holder other than in accordance with this Rule 10 is void and of no force or

effect, and the purported transferee or transferees will have no rights in the Option Shares purported to have been transferred.

## 11 DRAG-ALONG RIGHTS

**[User note: There may separately be drag-along rights set out in the company's shareholders' agreement which would be binding. If so, it may be necessary to expressly provide that the drag-along rights in that shareholders' agreement will prevail.]**

- 11.1 If one or more shareholders of the Company (**Seller**) give written notice to the Board that they wish, in one transaction or a series of linked transactions, to transfer more than 75% of the Shares in the Company (**Sale Shares**) to any other person or persons (**Third Party**) then the Company will require, by written notice (**Drag-Along Notice**), that all of the Option Holders transfer to the Third Party all of their Option Shares in accordance with Rule 11.2 (**Drag-Along Option**).
- 11.2 If the Company exercises the Drag-Along Option:
- a each of the Option Holders will be bound to sell their Option Shares to the Third Party at the price per Share to be paid by the Third Party to the Seller in respect of the Seller's Shares and otherwise on the same terms applicable to that sale;
  - b the Drag-Along Notice constitutes each director of the Company severally as the agent of each Option Holder with full power and authority to do all things necessary to transfer all of the Option Shares in accordance with this Rule 11;
  - c the Drag-Along Notice and all obligations arising from it will lapse if for any reason the Seller does not, prior to or simultaneously with the transfer of the Option Shares, transfer all of its Shares to the Third Party; and
  - d completion of the sale of the Option Shares will take place on the date of completion of the sale of the Seller's Shares.

## 12 TAXES

- 12.1 **Option Holder indemnity:** Each Option Holder indemnifies the Company against any taxes (including income tax), stamp duty, levies or penalties which the Company may be liable to deduct, withhold or pay by reason of an Option Holder being issued Options or being issued Option Shares upon the exercise of any Options.
- 12.2 **Authorisation to withhold:** Each Option Holder authorises the Company to withhold from payroll and any other amounts payable to the Option Holder by the Company, any sums required to satisfy any tax obligations, whether of the Company or of the Option

Holder, which arise in connection with the Options, including any obligations arising as a result of:

- a the issue of Options to the Option Holder;
- b any exercise of Vested Options by the Option Holder; and/or
- c any issue of Option Shares to the Option Holder.

### **13 NO GUARANTEED EMPLOYMENT OR ENGAGEMENT**

13.1 **Terms of employment or engagement:** The terms of employment or engagement of an Option Holder with the Company are not affected by the Option Holder's participation in the ESOP. These Rules and the Letter of Grant do not form any part of such terms of employment or engagement and an Option Holder is not entitled to take any participation in the ESOP into account when calculating any compensation or damages on the termination of his or her employment or engagement for any reason.

13.2 **No guarantee of employment or engagement:** An Option Holder's participation in the ESOP does not constitute an express or implied agreement of continued employment or engagement of an Option Holder with the Company, during the period in which the Options Vest or for any other period. An Option Holder's participation in the ESOP does not affect the Company's right to suspend or terminate an Option Holder's employment or engagement with the Company.

### **14 MISCELLANEOUS**

14.1 **Confidentiality:** Each Option Holder must keep these Rules and the relevant Letter of Grant, their terms and any information it receives about the Company and its business in connection with these Rules or the relevant Letter of Grant (**Confidential Information**) confidential, and must not use or disclose that Confidential Information without the prior written consent of the Company except to the extent that:

- a disclosure is required by law;
- b the relevant information is already in the public domain; or
- c it is reasonably required in connection with any proposed:
  - i financing of that party;
  - ii sale of that party's interest in the Company; or
  - iii sale of all or part of the business of, or the shares in, that party,

and the party receiving the Confidential Information has entered into confidentiality undertakings substantially the same as those set out in this Rule.

14.2 **Notices:** All notices and communications given under these Rules must be in writing and will be delivered personally, sent by post or sent by email to the address or email address notified by an Option Holder or the Company from time to time. Any notice given under these Rules will be deemed to be validly given:

- a in the case of delivery, when received;
- b in the case of posting, on the second day following the date of posting; or
- c if emailed, one hour after the email is sent unless a return mail is received by the sender within that one hour period stating that the addressee's email address is wrong or that the message cannot be delivered,

provided that any notice received after 5pm on a Business Day or on any day that is not a Business Day will be deemed to have been received on the next Business Day.

14.3 **Entire agreement:** These Rules and the relevant Letter of Grant contain all of the terms, representations and warranties made between the Company and each Option Holder relating to the matters dealt with in these Rules and the Letter of Grant, and supersede and cancel all prior discussions and agreements covering the subject matter of these Rules and the Letter of Grant. Each Option Holder has not relied on any representation, warranty or agreement relating to the subject matter of these Rules and the Letter of Grant that is not expressly set out in these Rules and the Letter of Grant, and no such representation, warranty or agreement has any effect from the date of the Letter of Grant.

14.4 **Further assurances:** The Company and each Option Holder must each sign all further documents, pass all resolutions and do all further things as may be necessary or desirable to give effect to the ESOP.

14.5 **Waiver:** No exercise or failure to exercise or delay in exercising any right or remedy will constitute a waiver by the Company or any Option Holder of that or any other right or remedy available to it.

14.6 **Partial invalidity:** If any provision of these Rules or a Letter of Grant becomes invalid or unenforceable to any extent, the remainder of these Rules and the Letter of Grant and their application will not be affected, and will remain enforceable to the greatest extent permitted by law.

## **15 GOVERNING LAW**

The terms and conditions of these Rules and each Letter of Grant, and any non-contractual obligations arising from or in connection with the Rules and each Letter of Grant, will be governed by, and interpreted in accordance with, the laws of [*Singapore*].

**[User note: The paragraphs below provide that disputes that are not settled will be referred to the Singapore International Arbitration Centre (SIAC). SIAC is seen as a leading venue for the holding of commercial arbitration and is used by companies across Southeast Asia.]**

## **16 [DISPUTE RESOLUTION**

- 16.1 **Dispute:** *If any dispute, controversy or claim (**Dispute**) arises out of or relating to these Rules or any Letter of Grant, or to the interpretation, breach, termination or validity of these Rules or any Letter of Grant, the parties to the Dispute (**Disputing Parties**) must use their best efforts to resolve the Dispute through consultation or mediation. The consultation or mediation between the Disputing Parties must begin as soon as practicable after one Disputing Party has delivered to the other Disputing Party or Parties a written notice setting out the matter of the Dispute (**Dispute Notice**).*
- 16.2 **Arbitration:** *If a Dispute is not settled under Rule 16.1 within 30 days after the date of the relevant Dispute Notice, the Dispute must be referred to and resolved by arbitration in Singapore in accordance with the Rules of the Singapore International Arbitration Centre (**SIAC Rules** and **SIAC** respectively). The tribunal will consist of one arbitrator, to be appointed by the President of the SIAC. The language of the arbitration will be English.*
- 16.3 **SIAC Rules:** *The SIAC Rules are deemed to be incorporated by reference in this Rule 16. However, to the extent that the SIAC Rules are in conflict with the provisions of this Rule 16, the provisions of this Rule 16 will prevail.]*

**SCHEDULE 1****Letter of Grant**

[Insert date]

[Insert recipient's name]

[Insert recipient's address]

Dear [insert]

**Offer of share options**

We value your ongoing contribution as an [employee/director/contractor] of [insert company name] (**Company**), and in connection with that role the Company wishes to grant to you options to purchase shares in the Company (**Options**).

**Number of Options**

The Company offers you, on the terms set out in this Letter of Grant and the enclosed Rules of the Employee Share Option Plan of the Company (**Rules**), the following Options:

<b>Number of Options</b>	<b>Exercise price per share</b>
[Number of Options]*	[\$Exercise price]*

\*As may be adjusted by the terms of the Rules.

The Options are granted to you for an aggregate consideration of \$1.00 (receipt of which is acknowledged).

**Description of the employee share option plan**

The terms of issue of the Options are set out in the Rules, but in broad terms:

- ▲ the Options will vest over time in accordance with the Vesting Schedule attached to this Letter of Grant;
- ▲ subject to the Rules, the Options will be exercisable between the date an Option vests and the date that is [insert] years from the date of this Letter of Grant;
- ▲ if you cease to be employed or engaged by the Company for Cause (as defined in the Rules), all of your vested and unvested Options will be cancelled and the Company will be entitled to repurchase any shares issued to you on the exercise of any of the Options at the exercise price; and

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- ▲ if you cease to be employed or engaged by the Company for any reason other than for Cause, any Options that have not vested at the date you cease to be employed or engaged will be cancelled immediately and all Options that have vested will need to be exercised by you within the period of time set out in the Rules or they will lapse.

The shares issued following the exercise of the Options will be ordinary shares in the Company and will be subject to the provisions of the shareholders' agreement relating to the Company and to the Company's constitution. When you exercise the Options you will be required to execute a deed of accession to the shareholders' agreement before any shares will be issued to you.

We suggest that you obtain independent legal and financial advice to ensure that you understand the implications of the Options and their potential effect on you, including the financial and taxation implications of the Options. In particular:

- ▲ the Options do not give you the rights attaching to shares in the Company (these are available to shareholders only, i.e. you will only have these rights if the Options are exercised and shares are issued to you); and
- ▲ any benefits you get under the Options may be subject to tax, for which you will be liable.

The Options are not a part of any employment or services contract and the issue and exercise of the Options will be governed by the terms set out in this Letter of Grant and the Rules.

***What you will need to do***

Please contact the Company if you wish to discuss any aspect of this Letter of Grant or the Rules. If you agree to the Company granting you the Options on the terms set out in this Letter of Grant and the Rules, please sign a copy of the acceptance form (on the following page) and return it to me before the date that is 21 days from the date of this Letter of Grant. Following receipt of your executed acceptance form, the Company will provide you with an option certificate recording the grant of the Options to you, in the form set out in Schedule 3 to the Rules.

Yours sincerely

*[insert name]*

*[insert title]*

**ACCEPTANCE**

Having read this Letter of Grant and the Rules, I accept the grant of the Options on the terms set out in this Letter of Grant and the Rules and I agree to be bound by this Letter of Grant and the Rules.

I further irrevocably appoint each director from time to time of the Company severally as my attorney (**Attorney**) only to the extent necessary to satisfy my obligations under and to give effect to this Letter of Grant and the Rules. For those purposes, each Attorney may:

- a complete any blanks in any document;
- b execute any document in any form as the Attorney thinks fit;
- c amend or vary any document as the Attorney thinks fit, and execute any document which effects or evidences that amendment or variation;
- d do anything which in the Attorney’s opinion is necessary, expedient or incidental to, or in any way relates to this Letter of Grant, the Rules or any document referred to in a, b or c above or any transaction contemplated by this Letter of Grant, the Rules or any document referred to in a, b or c above;
- e do any thing which I am obligated to do under the terms of this Letter of Grant or the Rules; and
- f do any thing which in the Attorney’s opinion is necessary, expedient or desirable to give effect to the provisions of this Letter of Grant or the Rules.

I acknowledge that each Attorney may exercise the powers of an Attorney under this letter even if the Attorney benefits from the exercise of that power and I undertake to ratify and confirm any act of an Attorney in exercise of the powers of attorney set out in this Letter of Grant.

**SIGNED AND DELIVERED AS A DEED** by )  
**[INSERT NAME OF OPTION HOLDER]** )  
 in the presence of: )

\_\_\_\_\_  
 Signature of Witness

\_\_\_\_\_  
 [Insert name of Option Holder]

\_\_\_\_\_  
 Name of Witness

\_\_\_\_\_  
 Occupation of Witness

\_\_\_\_\_  
 Address of Witness

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## APPENDIX TO LETTER OF GRANT

### Vesting Schedule

**[User note: Vesting schedules vary for each company, but in Southeast Asia the period is often 4 years with a one year 'cliff'. This means that after 12 months, 25% of the options immediately vest with the remaining 75% progressively vesting on a monthly or quarterly basis over the following 3 years.]**

1. [25] % of the Options will vest on the date that is [one] year following the date of the Letter of Grant; and
2. [75] % of the Options will vest during the period from the date that is one year following the date of the Letter of Grant to the date that is [four] years following the date of the Letter of Grant in equal [monthly/quarterly] amounts.

## **SCHEDULE 2**

### **Exercise Notice**

[*Insert date*]

The Board of Directors

[*insert name of company*]

[*Insert address of Company*]

Dear Board

#### **Exercise of Options**

I refer to the options granted to me by [*insert name of company*] (**Company**) in accordance with the Letter of Grant between the Company and me dated [*insert date*] and the Rules of the Employee Share Option Plan of the Company (**Options**).

I give notice that I am exercising [*insert number*] Options on [*insert date*] at the exercise price of \$[*insert*] per share. On or before [*insert date*] I will deposit \$[*insert*] in cleared funds into the nominated bank account of the Company, being the total exercise price for the shares.

I agree to accept the shares subject to the current constitution and shareholders' agreement of the Company.

Yours sincerely

[*Insert name of Option Holder*]

Address:

Date:

**SCHEDULE 3**  
Option Certificate

**OPTION CERTIFICATE**

THIS IS A CERTIFICATE OF SHARE OPTIONS GRANTED BY *[INSERT COMPANY NAME]* UNDER THE EMPLOYEE SHARE OPTION PLAN

**Name:**

**Date of grant:**

**Designation:**

**Number of options:**

**Exercise price:** \$ *[insert price]* per option

**Exercise period:** As set out in the Rules of the Employee Share Option Plan of *[INSERT COMPANY NAME]* (Company)

**Vesting Schedule:**

The options will vest as follows:

1. [25]% of the Options will vest on the date that is *[one]* year following the date of the offer letter sent in respect of the options (**Letter of Grant**); and
2. [75]% of the Options will vest during the period from the date that is one year following the date of the Letter of Grant to the date that is *[four]* years following the date of the Letter of Grant in equal monthly amounts.

The grant of the options is subject to the terms set out in the Letter of Grant and the Rules of the Employee Share Option Plan enclosed with the Letter of Grant.

For and on behalf of *[insert company name]*

*[insert name]*

Director

Date:

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