

## Chapter 9

# Continuing obligations

## 9.4 Documents requiring prior approval

### Employees share schemes and long-term incentive plans

9.4.1

R

- (1) This *rule* applies to the following schemes of a *listed company* incorporated in the *United Kingdom* and of any of its *major subsidiary undertaking* (even if that *major subsidiary undertaking* is incorporated or operates overseas):
- (a) an *employees' share scheme* if the scheme involves or may involve the issue of new *shares* or the transfer of *treasury shares*; and
  - (b) a *long-term incentive scheme* in which one or more *directors* of the *listed company* is eligible to participate.
- (2) The *listed company* must ensure that the *employees' share scheme* or *long-term incentive scheme* is approved by an ordinary resolution of the shareholders of the *listed company* in general meeting before it is adopted.

9.4.2

R

■ LR 9.4.1 R does not apply to the following *long-term incentive schemes*:

- (1) an arrangement where participation is offered on similar terms to all or substantially all *employees* of the *listed company* or any of its *subsidiary undertakings* whose *employees* are eligible to participate in the arrangement (provided that all or substantially all *employees* are not *directors* of the *listed company*); and
- (2) an arrangement where the only participant is a *director* of the *listed company* (or an individual whose appointment as a *director* of the *listed company* is being contemplated) and the arrangement is established specifically to facilitate, in unusual circumstances, the recruitment or retention of the relevant individual.

9.4.3

R

For a scheme referred to in ■ LR 9.4.2R (2), the following information must be disclosed in the first annual report published by the *listed company* after the date on which the relevant individual becomes eligible to participate in the arrangement:

- (1) all of the information prescribed in ■ LR 13.8.11 R;
- (2) the name of the sole participant;
- (3) the date on which the participant first became eligible to participate in the arrangement;

- (4) an explanation of why the circumstances in which the arrangement was established were unusual;
- (5) the conditions to be satisfied under the terms of the arrangement; and
- (6) the maximum award(s) under the terms of the arrangement or, if there is no maximum, the basis on which awards will be determined.

#### Discounted option arrangements

9.4.4

R

- (1) This *rule* applies to the grant to a *director* or *employee* of a *listed company* or of any *subsidiary undertaking* of a *listed company* of an option to subscribe, warrant to subscribe or other similar right to subscribe for *shares* in the capital of the *listed company* or any of its *subsidiary undertakings*.
- (2) A *listed company* must not, without the prior approval by an ordinary resolution of the shareholders of the *listed company* in a general meeting, grant the option, warrant or other right if the price per *share* payable on the exercise of the option, warrant or other similar right to subscribe is less than whichever of the following is used to calculate the exercise price:
  - (a) the market value of the *share* on the date when the exercise price is determined; or
  - (b) the market value of the *share* on the *business day* before that date; or
  - (c) the average of the market values for a number of dealing days within a period not exceeding 30 *days* immediately before that date.

9.4.5

R

■ LR 9.4.4 R does not apply to the grant of an option to subscribe, warrant to subscribe or other similar right to subscribe for *shares* in the capital of a *listed company* or any of its *subsidiary undertakings*:

- (1) under an *employees' share scheme* if participation is offered on similar terms to all or substantially all *employees* of the *listed company* or any of its *subsidiary undertakings* whose *employees* are entitled to participate in the scheme; or
- (2) following a take-over or reconstruction, in replacement for and on comparable terms with options to subscribe, warrants to subscribe or other similar rights to subscribe held immediately before the take-over or reconstruction for *shares* in either a *company* of which the *listed company* thereby obtains control or in any of that *company's subsidiary undertakings*.