

SCHEDULES

SCHEDULE 4

APPROVED CSOP SCHEMES

PART 4

SHARES TO WHICH SCHEMES CAN APPLY

Requirements relating to shares that may be subject to share options: introduction

- 15 (1) A CSOP scheme must meet the requirements of—
- paragraph 16 (shares must be ordinary shares of certain companies),
 - paragraph 17 (requirements as to listing),
 - paragraph 18 (shares must be fully paid up and not redeemable),
 - paragraph 19 (only certain kinds of restrictions allowed), and
 - paragraph 20 (requirements as to other shareholdings).
- (2) In this Part “eligible shares” means shares which may be acquired by the exercise of share options under the scheme.

Shares must be ordinary shares of certain companies

- 16 Eligible shares must form part of the ordinary share capital of—
- (a) the scheme organiser,
 - (b) a company which has control of the scheme organiser, or
 - (c) a company which either is, or has control of, a company which is a member of a consortium owning either the scheme organiser or a company having control of the scheme organiser.

Requirements as to listing

- 17 (1) Eligible shares must be —
- (a) shares of a class listed on a recognised stock exchange,
 - (b) shares in a company which is not under the control of another company, or
 - (c) shares in a company which is under the control of a listed company.
- (2) A “listed company” is a company whose shares are listed on a recognised stock exchange, other than—
- (a) a close company, or
 - (b) a company that would be a close company if resident in the United Kingdom.

Shares must be fully paid up and not redeemable

- 18 Eligible shares must be—
- (a) fully paid up, and
 - (b) not redeemable.

Only certain kinds of restriction allowed

- 19 (1) Eligible shares must not be subject to any restrictions (see sub-paragraph (4)) other than—
- (a) those attaching to all shares of the same class, or
 - (b) those permitted by sub-paragraph (2).
- (2) If the conditions of sub-paragraph (3) are met, eligible shares may be subject to a restriction imposed by the company's articles of association—
- (a) requiring all shares held by directors or employees—
 - (i) of the company, or
 - (ii) of any other company of which it has control,
 to be disposed of, or offered for sale, on ceasing to be so held, and
 - (b) requiring all shares acquired, as a result of rights or interests obtained by such directors or employees, by persons who—
 - (i) are not such directors or employees, or
 - (ii) have ceased to be such directors or employees,
 to be disposed of, or offered for sale, when they are acquired.
- (3) The conditions of this sub-paragraph are—
- (a) that a disposal required by the restriction will be by way of sale for a consideration in money on terms specified in the articles of association, and
 - (b) that under general conditions contained in the articles of association anyone disposing of shares of the same class (whether or not held or acquired as mentioned in sub-paragraph (2)) may be required to sell them on terms which are the same as those mentioned in paragraph (a).
- (4) For the purposes of this paragraph shares are subject to a restriction if there is any contract, agreement, arrangement or condition—
- (a) by which a person's freedom to dispose of the shares or of any interest in them or of the proceeds of their sale, or to exercise any right conferred by them, is restricted, or
 - (b) by which such a disposal or exercise may result in any disadvantage to the person or to a person connected with the person.

This is subject to sub-paragraphs (5) to (7).

- (5) Sub-paragraph (4) does not extend to so much of any contract, agreement, arrangement or condition as contains provisions similar in purpose and effect to any of the provisions of the Model Code as (for the time being) set out in the listing rules issued by the competent authority for listing in the United Kingdom under section 74(4) of the Financial Services and Markets Act 2000 (c. 8).
- (6) Sub-paragraph (4) also does not apply to any terms of a loan making provision about how it is to be repaid or the security to be given for it.

- (7) Any discretion of the directors under the articles of association of the company to refuse to accept the transfer of shares is to be disregarded for the purposes of this paragraph if the directors—
- (a) have undertaken to the Inland Revenue not to exercise it in such a way as to discriminate against persons participating in the scheme, and
 - (b) have notified all those who are eligible to do so of the existence of the undertaking.
- (8) In this paragraph “articles of association” includes, in the case of a company incorporated under the law of a country outside the United Kingdom, any equivalent document relating to the company.

Requirements as to other shareholdings

- 20 (1) The majority of the issued shares of the same class as the eligible shares must be—
- (a) employee-control shares, or
 - (b) open market shares,
- unless the eligible shares are shares in a company whose ordinary share capital consists of shares of one class only.
- (2) Shares in a company are “employee-control shares” if—
- (a) the persons holding the shares are, by virtue of their holding, together able to control the company, and
 - (b) those persons are or have been employees or directors of the company or of another company which is under the control of the company.
- (3) Shares in a company are “open market shares” if the persons holding the shares are not—
- (a) persons who acquired their shares as a result of a right conferred on them or an opportunity afforded to them as a director or employee of the scheme organiser or any other company, and not as a result of an offer to the public, or
 - (b) trustees holding shares on behalf of persons who acquired their beneficial interests in the shares as mentioned in paragraph (a), or
 - (c) in the case of shares which—
 - (i) are not of a class listed on a recognised stock exchange, and
 - (ii) are in a company which is under the control of a listed company (as defined by paragraph 17(2)),companies which have control of the company whose shares are in question or of which that company is an associated company.