Performance Based Vesting in Grants

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A company may decide to link the employee performance to employee stock option plans for reasons like achieving individual performance targets, departmental goals being met, or a corporate financial goal being achieved. This essentially means the company introduces a performance-based criterion to its vesting structure. In effect, stocks would be vested if they hit certain targets in a specified period instead of set vesting schedule.

Companies choose to undertake performance-based vesting for the following reasons:

- Employees can participate in a company's growth
- Safeguard company interests in the long run by making it conditional upon stringent criteria
- Attract and retain high performing employees
- Encourage employees to maintain high standard of collective performance

For example, an employee already has 1000 stock options in the company. The company may decide to add a condition to the vesting schedule that if the company achieves 10% growth in the current quarter, then 10% of 1000 units owned by eligible employees get vested immediately.

You can either associate a tranche to performance-based vesting while creating a grant or editing a grant.

To add performance-based vesting to an option award while creating

1. Click Equity Awards in the left menu, select Grants.
2. Click on Grant Awards -> Option Award
3. In the Grant Award screen, click Vesting Parameters.
4. Generate the Vesting Schedule either using Templates or Parameters

5. Click ✎ to edit the Vesting Schedule.
6. In the displayed dialog box, click **Proceed**. This will convert the Vesting Schedule into a Manually Updated Vesting Schedule.
7. Double-click the vesting record you want to edit. Alternatively, click the **Edit** button against the vesting record.
8. Click Type of Vesting field for the tranche and select the Performance Condition you want to associate

9. You can create a Performance Condition Template in Settings -> Configurations ->Equity Award - Grant configurations -> Performance Condition Templates and associate it at the grant level (in that case the name of the performance condition template will be displayed in the Type of Vesting column dropdown)


10. In the Create Performance Condition Template dialog box, enter the **Condition Name**.
11. Select the **Condition Type**. Currently, QapMap allows the following conditions:

| Condition	Explanation
Event based	Determined by occurrence of specific events. For example, a liquidity event.
Non-Market based	Reflects a company's internal performance metrics. For example, Earnings per Share (EPS), Return on Invested Capital (ROIC).
Market based	Linked to market price of the company's equity. For example, Relative Total Shareholder Return (rTSR).

12. Enter the **Performance Condition Details**.
13. Enter the **Value for Minimum Payout %** as decided for the performance criteria. This can be any value from 0 to 100.
14. Enter the **Value for Maximum Payout %** as decided for the performance criteria. This value can be from 0.01 to 100
15. Click **Create** to add the performance condition.
16. Click **Save** to complete the process.
17. In the displayed Confirmation box, click **Confirm**.
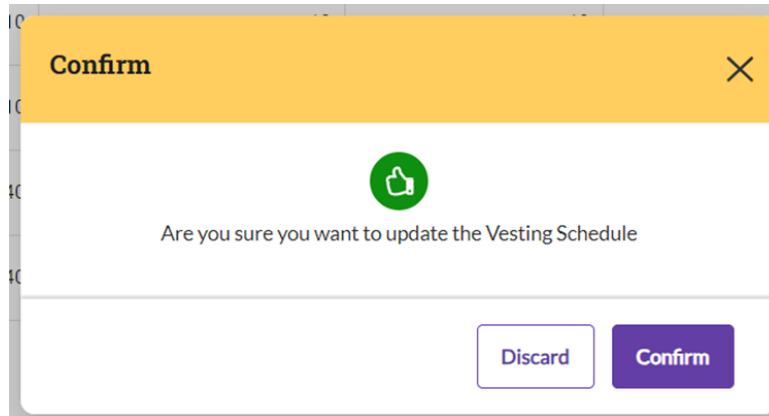
Note: For the performance-based vesting schedule to become effective, it has to be Recognized by the management/ admin. Please follow the steps here to complete the process.

To add performance based vesting to an option award while editing

1. Click Equity Awards in the left menu, select **Grants**.
2. Select the stakeholder or search for the stakeholder.
3. Click the menu corresponding to the stakeholder and select **Edit Award**.
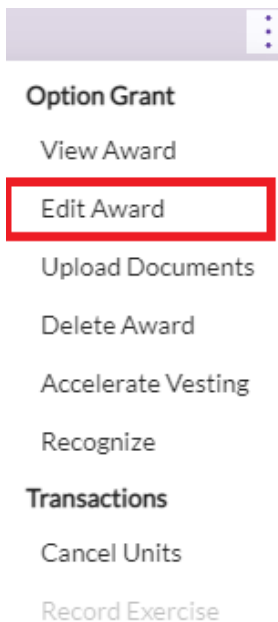
4. Clicking on Edit Award and redirecting to Vesting Parameters, all the steps above from **Point 5** to be followed