

# The State of ESOPs IN ASIA

An updated report  
on the **intersection of  
startup equity  
and human capital**

SAISON  
CAPITAL

X  
A NETWORK

carta

2024  
FINDINGS



# Foreword 3 Years Later, Where Are We?

In late 2021, **Saison Capital** launched the first-of-its-kind employee stock option (ESOP) report across India and Southeast Asia. The response was overwhelming. More than the 100K+ report downloads, our ESOP report sparked conversations among founders and employees alike.

Fast forward 3 years, **the macro environment has shifted drastically**. In 2023, startup funding has declined drastically - India fell 70% from its 2021 peak whereas Southeast Asia also declined by 50%. While 2024 has shown early signs of recovery, it remains to be seen if we have reached the bottom.

**The topic of ESOPs remains as relevant**. Employees are starting to question the value of ESOPs, as much as founders are revisiting ESOPs to ensure they have the right talent strategies in place.

**Saison Capital has partnered up with XA Network and Carta to refresh our study** on the ESOP landscape in Asia, and highlight key changes since 2021.

This updated report provides crucial insights into using ESOPs to enhance talent acquisition and foster a culture of sustainable growth in 2024.



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# About



**Saison Capital**, is the corporate venture capital arm of Credit Saison. We invest in promising early stage startups across pre-seed to Series A, with a focus on fintech, commerce and web3.

With 100+ direct and 15+ LP investments to-date, we leverage on Credit Saison's presence across Japan, India, Southeast Asia and Latin America to support our portfolio companies.

Credit Saison Co., Ltd., was founded in 1951 and is one of Japan's largest nonbank financial companies with over 25 million card holders in Japan. It is listed on the Tokyo Stock Exchange and has a Balance Sheet of US\$27 billion.

Find out more at [www.saisoncapital.com](http://www.saisoncapital.com)



**The XA Network** was founded in 2018 as an investment network comprising senior executives from leading global and regional technology companies. Our purpose is to foster inclusive innovation by empowering the tech community in Southeast Asia.

The XA Network focuses on early-stage investments. Founders value our members' distinguished backgrounds as entrepreneurs and senior business builders. Furthermore, our portfolio companies are able to tap into the collective power of deep-rooted networks and expertise across business strategy, product development, and fundraising.

Find out more at <https://xanetwork.co/>



**Carta** is a platform that helps people manage equity, build businesses, and invest in the companies of tomorrow. Our mission is to create more owners.

Carta manages over two trillion dollars in equity for nearly two million people globally. The company is trusted by 40,000 companies, over 5,000 investment funds, and half a million employees for cap table management, compensation management, venture capital solutions, and more.

Find out more at <https://carta.com>

# Executive Summary

**The 2024 analysis of Employee Stock Option Plans (ESOPs) in Asia reveals critical trends and challenges that underline the strategic use of ESOPs in the startup ecosystem:**

## **Adoption Rates:**

78% of startups have implemented ESOPs, a significant increase from 62% in 2021, with a marked trend towards early implementation before the Series A stage.

## **Inclusive Practices:**

A shift towards inclusivity in ESOP allocation is noted, with 33% of startups extending ESOPs to all employee levels, up from 25% three years prior. Meanwhile, the proportion of ESOPs reserved for senior management has decreased from 35% to 30%.

## **Growing ESOP Pools:**

ESOP pool sizes have slowly but gradually increased, reflecting the rising importance of ESOPs among employees and the receptiveness of founders.

## **Deep Understanding is Lacking:**

Despite the growing adoption, deep understanding among founders continues to be lacking; similar to 2021, fewer than 30% of founders have a deep grasp of ESOPs.

# Why does this matter?

**This study provides essential insights that are vital for informing policy, strategy, and operational improvements in the use of ESOPs:**

## **Strategic Employee Engagement:**

ESOPs are increasingly pivotal for talent management. **Effective ESOP strategies not only attract but also retain top talent** by aligning employee incentives with long-term company growth.

## **Cultural Transformation:**

The expanding inclusivity in ESOP allocation fosters a **stronger culture of ownership and commitment** across organizational levels, enhancing overall company performance and employee satisfaction.

## **Educational Imperative:**

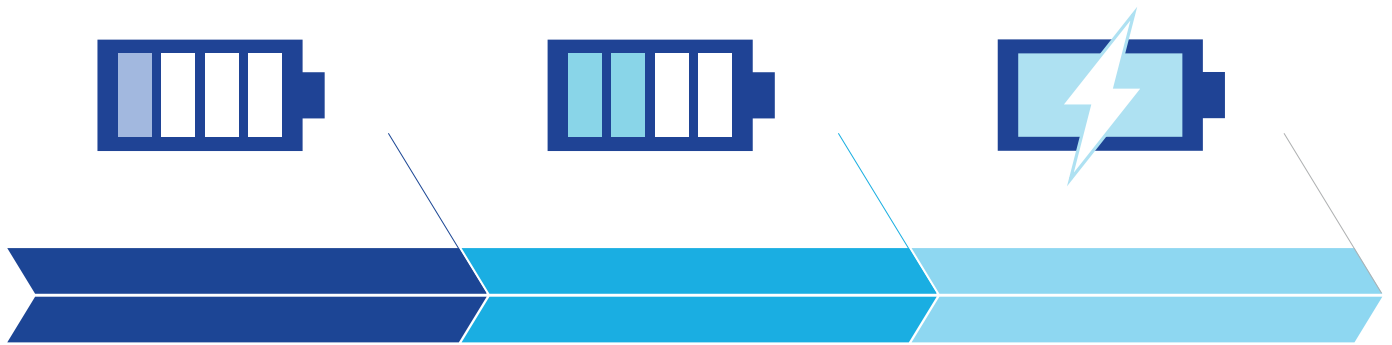
The **stark knowledge gaps** highlighted need addressing through targeted educational programs. Improved understanding of ESOP mechanics among founders can lead to more strategic and effective implementations.

## **Future Policy and Strategy Formulation:**

The data underscores the need for evolving ESOP policies to enhance their scope and impact. By **aligning ESOP structures with changing business scales and models**, startups can better capitalize on their growth trajectories.

# Overall Findings

The 2024 analysis of Employee Stock Option Plans (ESOPs) in Asia reveals critical trends and challenges that underline the strategic use of ESOPs in the startup ecosystem:



**Opportunities for improvement**

**Neutral**

**Positive practices to keep up**

5

**OPPORTUNITIES FOR IMPROVEMENT**

For example (page 15):  
The lack of understanding of ESOPs beyond the basics persists, even after 3 years.

3

**NEUTRAL OBSERVATIONS**

For example (page 20):  
The standard ESOP structure remains - 4 year vesting period with a 1-year cliff.

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**POSITIVE PRACTICES TO KEEP UP**

For example (page 13):  
92% of startups in 2024 implement ESOPs before Series A, a 10% boost from 2021

# THE STAGES TO ESOPs SUCCESS





# Three stages to ESOPs success for Employers

1

## Plan

### Understand:

Invest the time to understand ESOPs, from setup and structure to management and risks, especially if you operate across multiple geographies

### Strategise:

Be clear on what purpose ESOPs serve, and be transparent to the team

### Start Early:

Implement ESOPs at seed-stage or earlier (e.g. angel, friends/family)

### Standardise First, Iterate Later:

4-years vesting + 1-year cliff

### Vest More Frequently:

Vest shares monthly

2

## Include

### ESOPs For All:

Offer the whole team ESOPs, not just senior management

### Make ESOP Strike Prices Accessible:

Offer generous discounts or set a negligible strike price to make ESOPs affordable

### Make ESOP Exercise Periods Accessible:

Offer a longer exercise period to allow employees who leave to remain connected with the company

### No Golden Handcuffs:

Establish good leaver / bad leaver policies; be fair and transparent around them. Then, uphold good leaver policies, such as not dissolving employees vested options on departure.

### Reward:

Accelerate vesting upon liquidity events

### Educate:

Explain ESOPs to employees before they accept the job offer

### Engage:

Founders / senior leaders should do the explaining.

3

## Scale

### Grow:

Plan to grow your ESOPs as you fundraise subsequent rounds

### Educate:

Explain ESOPs to employees before they accept the job offer

### Engage:

Founders / senior leaders should do the explaining

### Manage:

Figure out the right tools to manage ESOPs for your company – Excel might not be the best

### Realisation:

Consider introducing or facilitating a buyback or sale of ESOP

### Conversation:

Talk more about it – facilitate industry conversation



# Three stages to ESOPs success for Employees

1

## Understand

### **Vesting Schedule:**

Learn when your stock options vest. Ask about the cliff period and the full vesting period.

### **Strike Price:**

Know the cost of exercising your options. A lower or discounted strike price is preferable, and results in a significant difference in potential gains.

### **Tax Implications:**

Understand when taxes will apply—either when you exercise or sell your shares. Some jurisdictions allow deferral of taxes until shares are sold.

### **Potential for Dilution:**

Understand the risk of dilution—when new shares are issued, reducing your percentage ownership. Check if the company plans to increase the ESOP pool in future rounds.

2

## Prepare

### **Exercise Period:**

Find out how much time you have to exercise options if you leave. Longer exercise periods (12 months or more) give you more financial flexibility.

### **Good/Bad Leaver Policies:**

Ensure your vested options are protected if you leave the company. Check that vested options are not forfeited.

### **Liquidity Events:**

Ensure your options will vest early if there's a company sale, IPO, or merger (accelerated vesting). This is key for benefiting from a liquidity event.

3

## Evaluate

### **Equity Allocation:**

Ask how much equity you are receiving compared to others in the company. Early employees often receive larger shares.

### **Exit Opportunities:**

Check if the company offers buybacks or secondary market sales, so you can sell your options for liquidity.

### **Transparency:**

Ensure the company clearly explains the ESOPs before you accept the job offer, and don't hesitate to ask questions!

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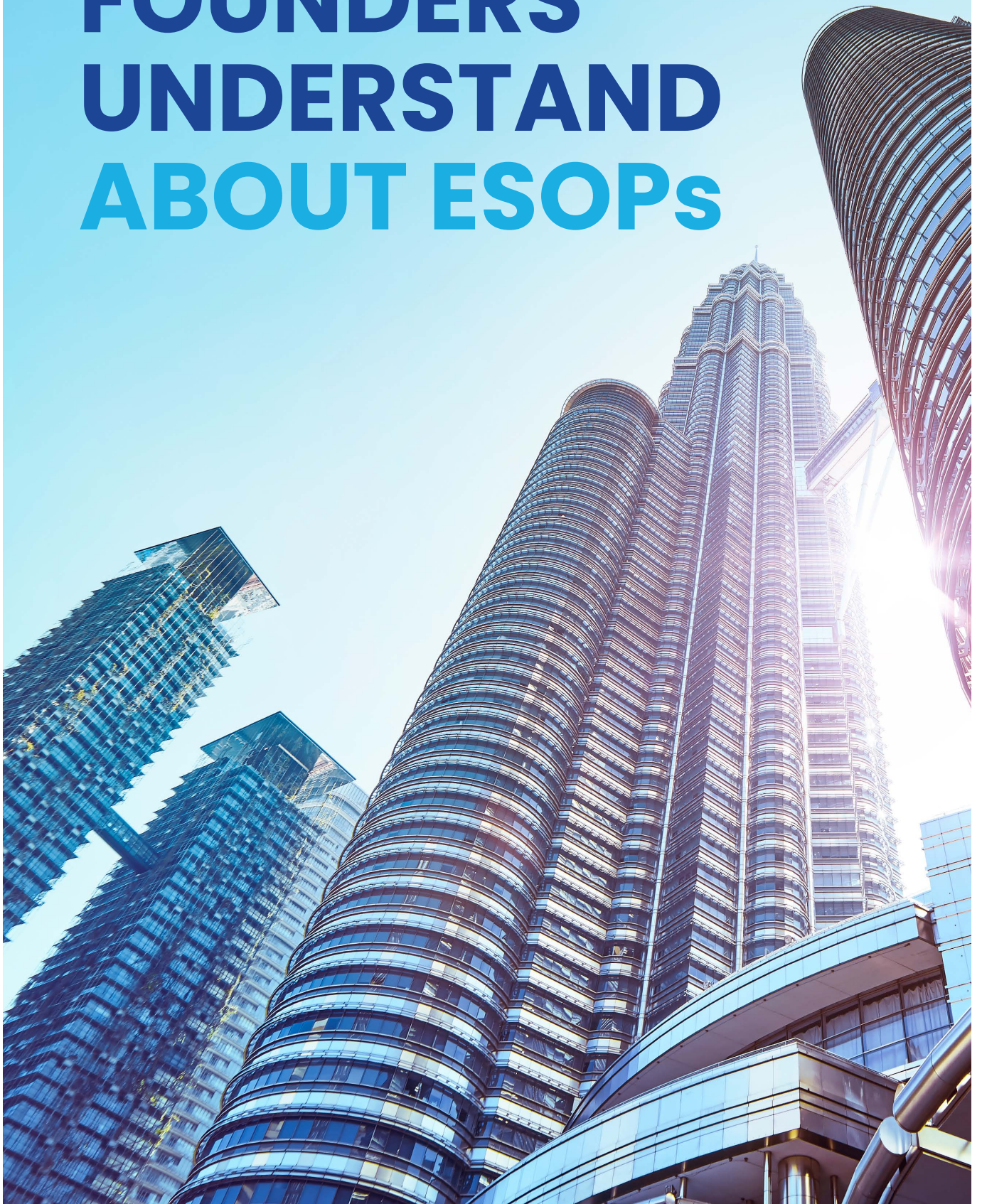
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# WHAT FOUNDERS UNDERSTAND ABOUT ESOPs



# The reasons for ESOPs have shifted:

## a growing focus on cost savings and increasing liquidity



↓ **79%**

To retain talent



↓ **82%**

To build culture and create a sense of ownership



↓ **78%**

To attract talent



↑ **40%**

To save cost to increase liquidity



**Decrease compared to 2021**



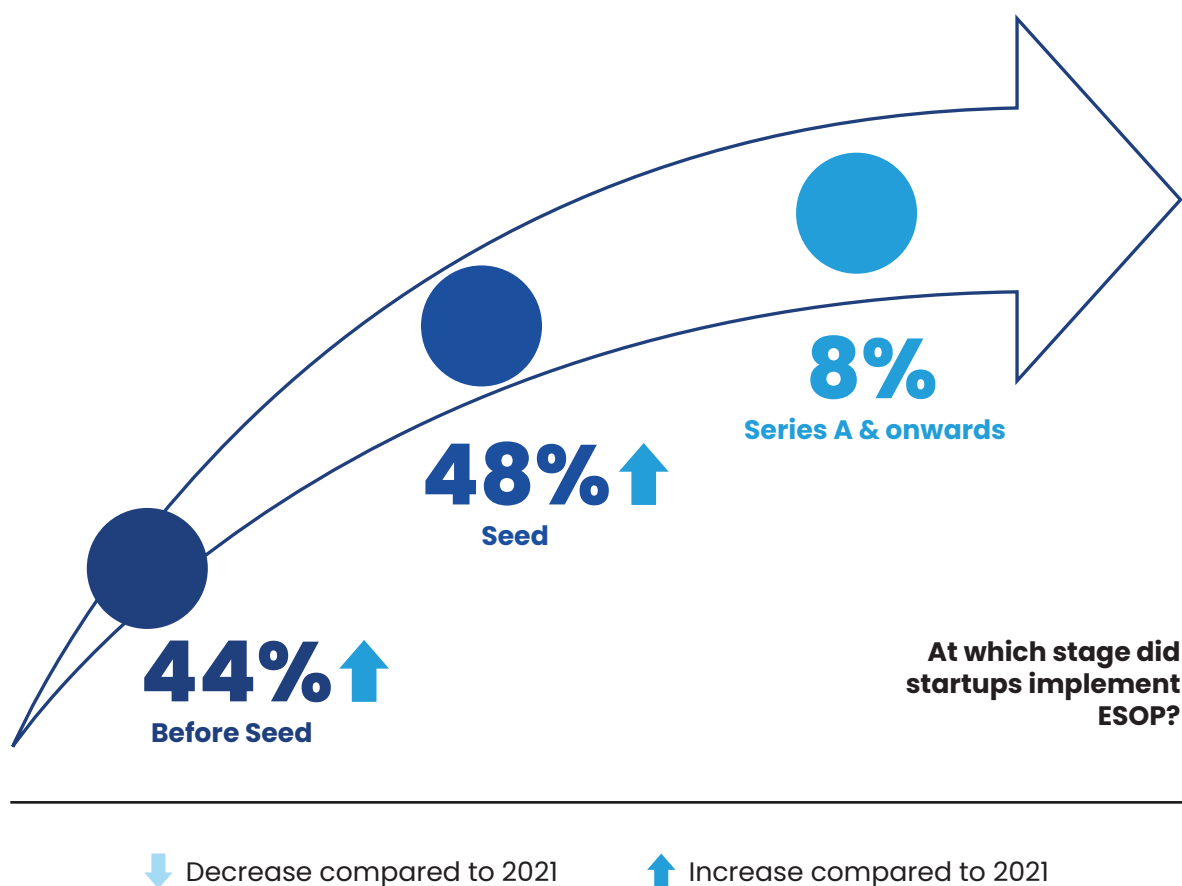
**Increase compared to 2021**

In 2024, 79% of founders prioritize ESOPs for talent retention, and 82% for building workplace culture. This marks a slight decrease from 2021, revealing a shift in priorities towards belt tightening.

40% of founders currently implement ESOPs to save costs and increase liquidity in 2024, which is significantly higher than 28% in 2021. This is unsurprising given the challenging macroeconomic environment.

# ESOP implementation is happening earlier, indicating forward-planning on the part of founders and a growing focus on cost savings & increasing liquidity

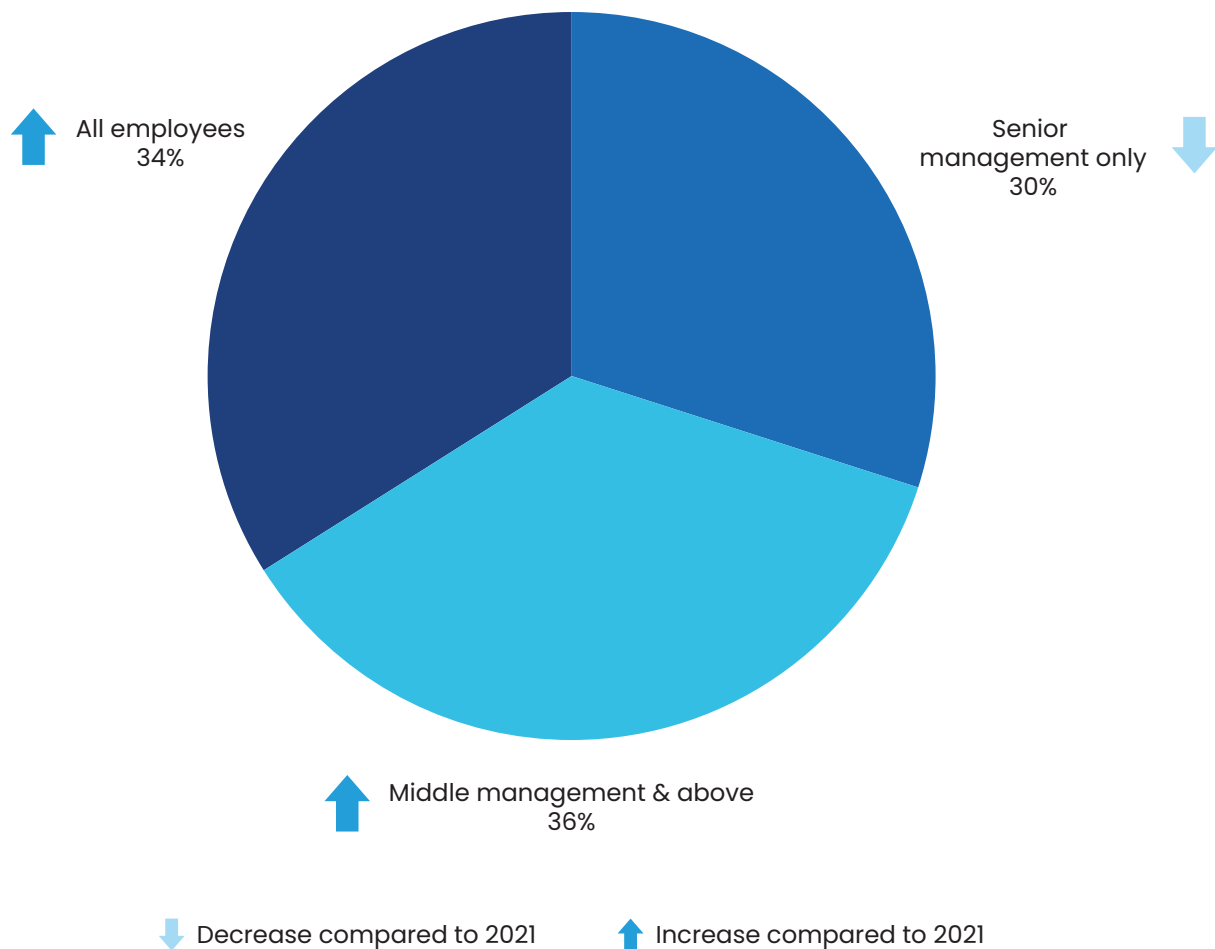
- 92% of startups in 2024 implement ESOPs before Series A, a 10% boost from 2021. This reflects thoughtful forward planning to align incentives early and capitalize on growth opportunities.
- Early adoption of ESOPs in 2024 is recognized as a critical factor in talent acquisition, offering a competitive edge against larger, well-funded peers—a shift from the less structured approach of 2021.
- Offering ESOPs enhances a startup's value proposition; early employees can reap significant financial rewards when the company succeeds.



# ESOPs for everyone:

## 7 out of 10 companies offer stock options to employees outside the senior management team

- The majority of Asia startups offer ESOPs to employees outside of the senior management team.
- 1 in 3 startups offer ESOPs to all employees, regardless of rank. This marks an increase from three years prior, where 1 in 4 startups offered ESOPs to all employees.
- Across 2021 to 2024, this has not changed significantly. This reflects and continued alignment of incentives across the organisation and nourishes a culture of ownership.



# The lack of understanding of ESOPs beyond the basics persists, even after 3 years



**ESOP tax setup confounds founders**, with only 14% claiming they understand, compared to 36% back in 2021.

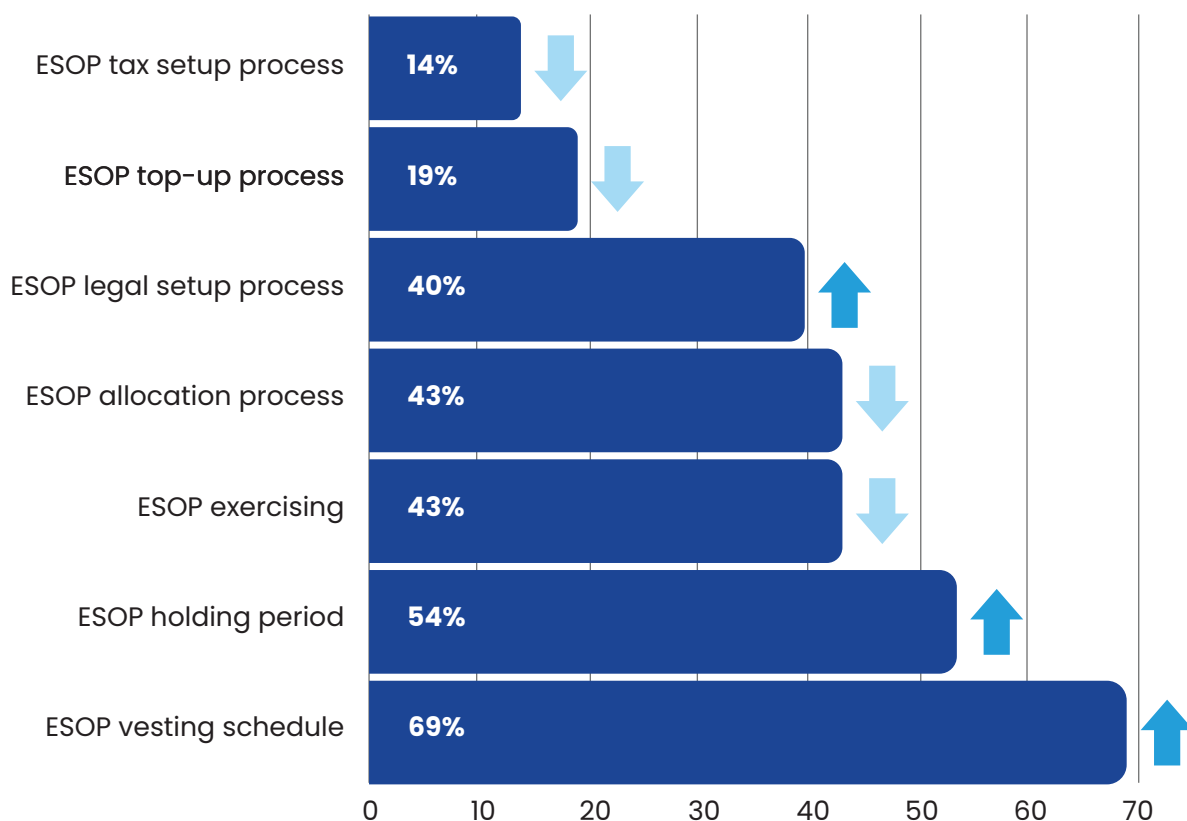


This means **challenges exist for founders and employees to fully realise the value of their ESOPs** and limits the realisation of potential upside.



It's concerning that **fewer founders understand the ESOP allocation and exercising process** – 55% in 2021 versus 43% in 2024.

## Founders who say they understand the following ESOPs topics:



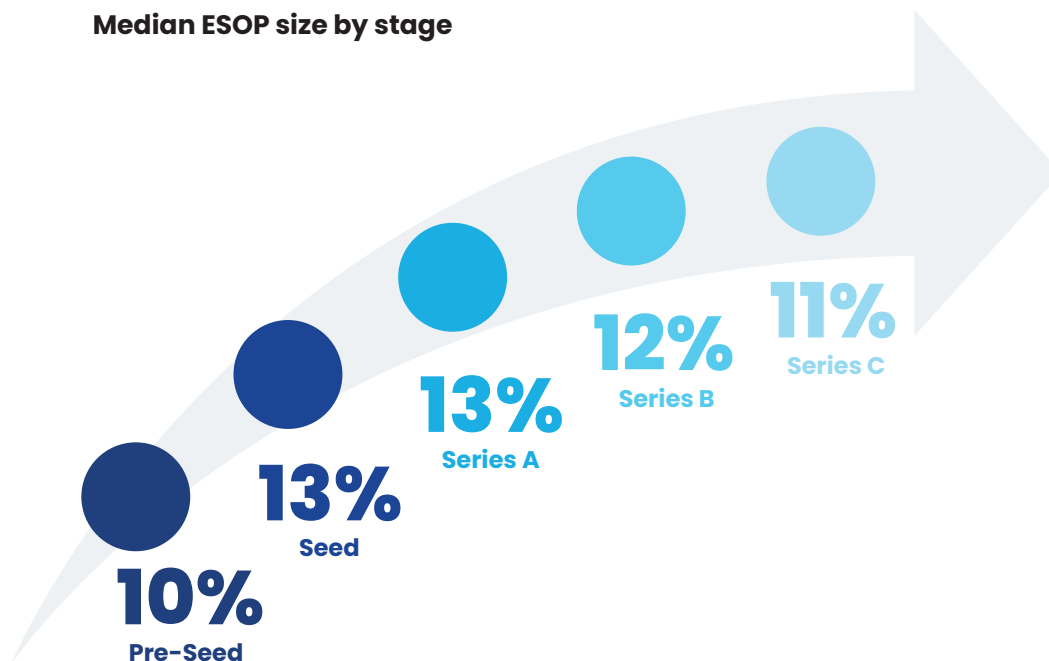
Increase compared to 2021



Decrease compared to 2021

# Startups reserve 10–12% equity for ESOPs, and that pool has grown over the past 3 years

Median ESOP size by stage



Median ESOP size across the years

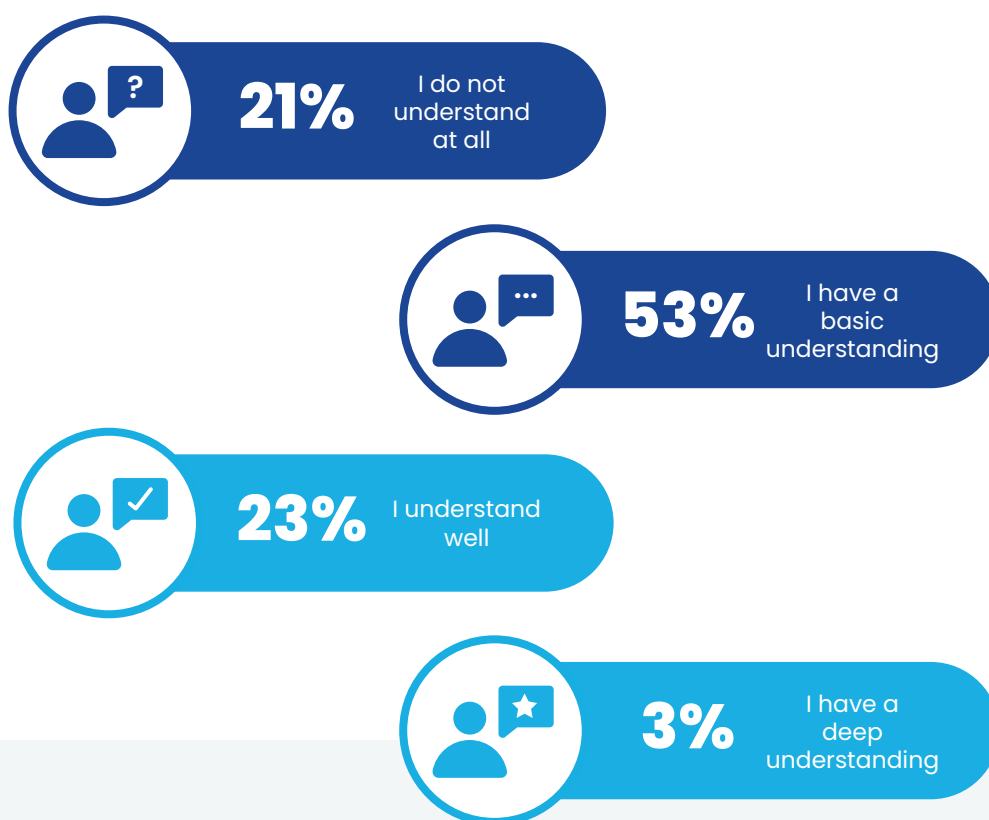
	Median Employee Option pool size
2021	9.0%
2022	10.1%
2023	12.1%
2024	12.6%

Source: Carta data



# 3 out of 4 Asian founders have rudimentary understanding of risks associated with ESOPs

In 2024, almost 3 out of 4 founders lack in-depth understanding of ESOPs (defined as “I understand well” and “I have a deep understanding”). This reflects a lack of progress in comparison to 2021, highlighting a persistent and critical gap in knowledge that could affect the strategic use of ESOPs.



## Potential risks include:

Over- or under-capitalising ESOPs, which can impact talent attraction and retention.

Legal implications of stock ownership can differ by the country that the company or employees are based.

Tax implications on the company and employees, especially during exercise, buyback or liquidation.

# HOW FOUNDERS STRUCTURE ESOPS



# The structure of ESOPs varies across startups in Asia

TYPES &  
PERCENTAGE

**INTL**

**38%**

**INTL:** International stock options offered to employees outside the company's home country

TYPES &  
PERCENTAGE

**NSO**

**29%**

**NSO:** Non-qualified stock options that do not meet IRS qualifications for special tax treatments

TYPES &  
PERCENTAGE

**ISO**

**24%**

**ISO:** Incentive stock options that provide tax benefits if certain holding requirements are met

TYPES &  
PERCENTAGE

**RSU**

**8%**

**RSU:** Restricted stock units that are granted as company shares, usually vesting over time

TYPES &  
PERCENTAGE

**SAR**

**1%**

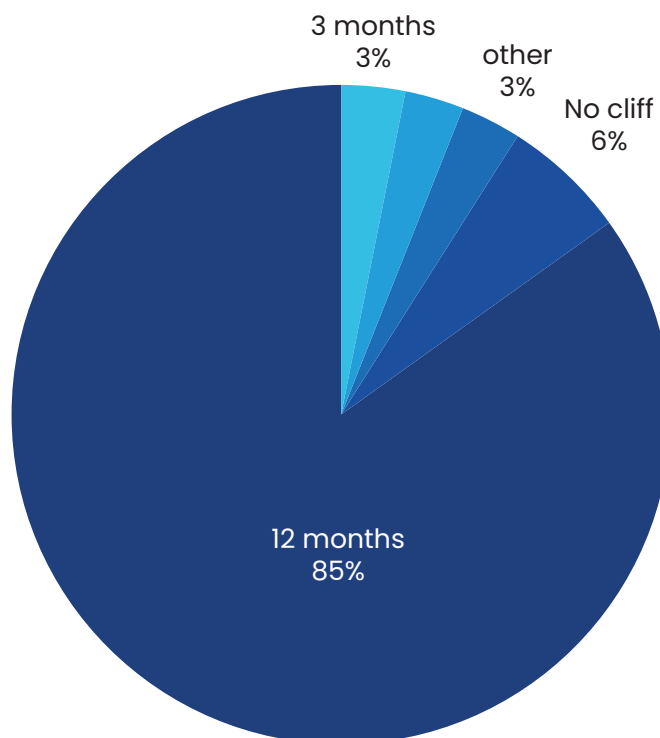
**SAR:** Stock appreciation rights that give employees a cash equivalent of the increase in stock price

Source: Carta data

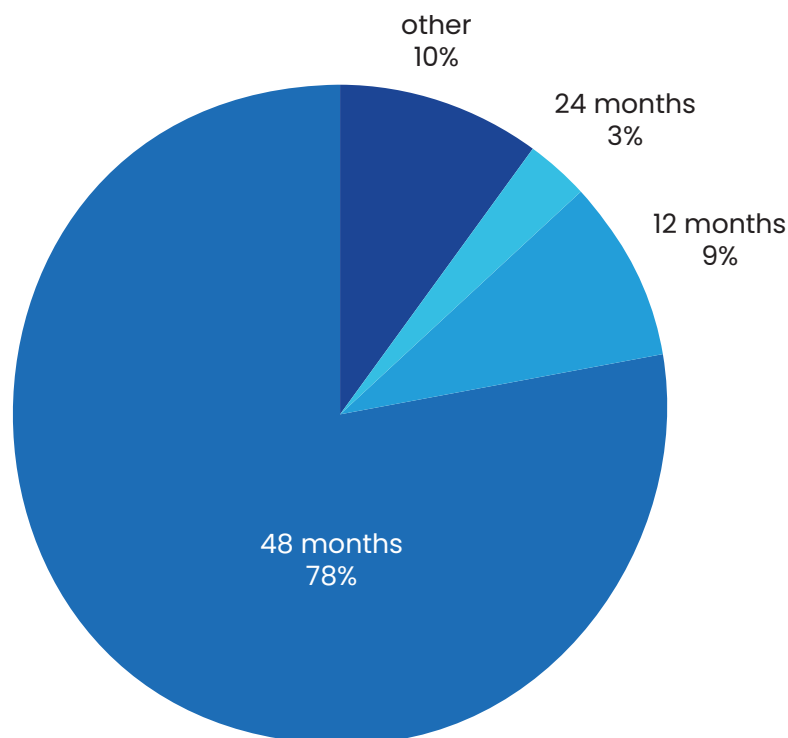
# The standard

## ESOP structure remains - 4 year vesting period with a 1-year cliff

**What is the cliff period?**



**What is the vesting period (including cliff)?**



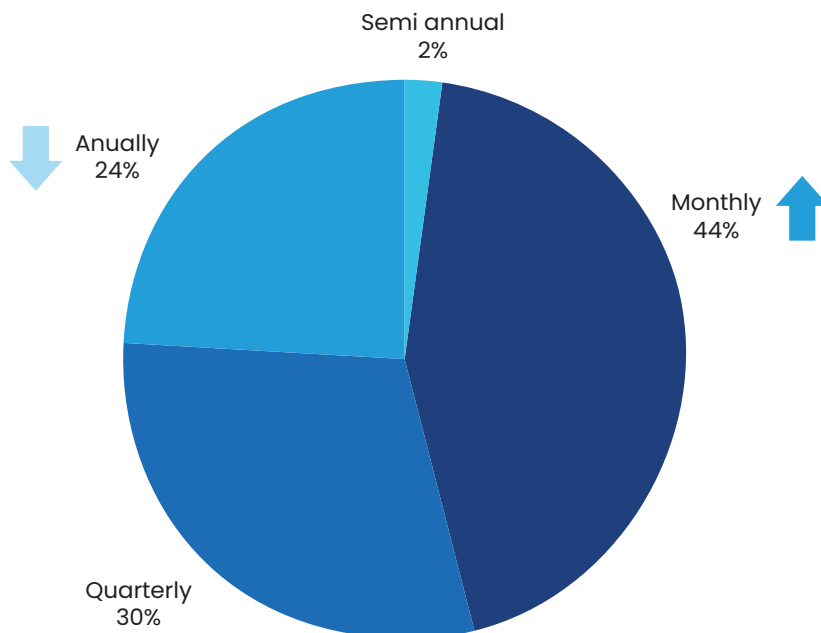
**This aligns with the global industry standard in tech, consistent with 2021 findings.**

\*Cliff: minimum period an employee must work before any of their stock options vest

# Monthly vesting has gained traction to the benefit of employees

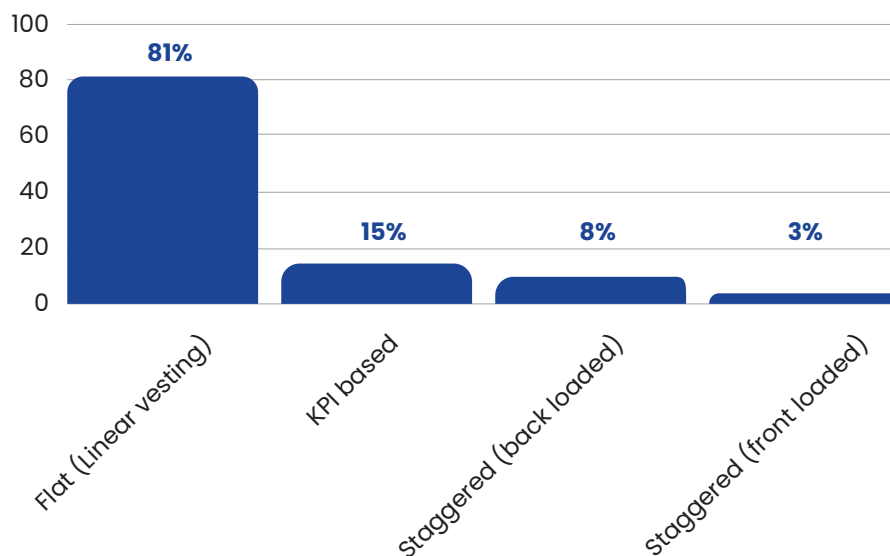
What is the vesting cycle after cliff period?

In 2024, 44% of startups offer monthly vesting, reflecting a significant boost from 13% in 2021. More frequent vesting tends to reduce the risk of mass attrition, and encourages fair compensation for effort.



What is the vesting structure?

Linear vesting continues to be the de facto standard, similar to 2021. Linear vesting is simpler to communicate and administer compared to other forms.



**The shift to monthly vesting cycles correlates with a 12% rise in employee satisfaction on ESOPs from 2021 to 2024.**

↑ Increase compared to 2021

↓ Decrease compared to 2021

# ESOP strike price policies have been enhanced, with 1 in 2 founders offering low or negligible strike price

In 2024, 50% of startups offer low or negligible strike prices, up from 36% in 2021. There's also an increase in generous discounts for strike prices, reflecting a trend towards making ESOPs more accessible and attractive to employees

## How do you set strike price?



**50%**

Low or negligible strike price



**31%**

Based on the price per share for the latest fundraising round



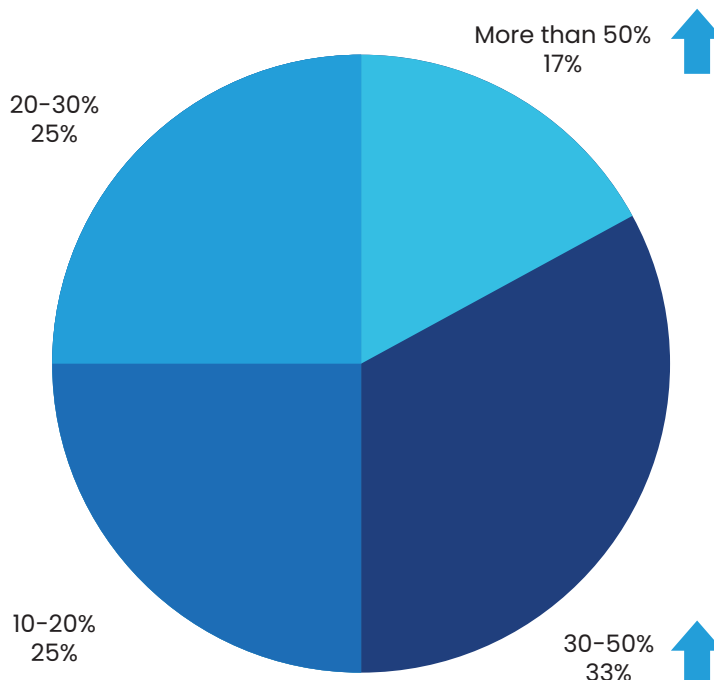
**19%**

A discount off the price per share for the latest fundraising round



## Discount % for those who set a discounted strike price.

In 2024, 33% of startups offer 30-50% discounts and 17% offer over 50% discounts, up from 9% and 14% in 2021, in an effort to making ESOPs more accessible.

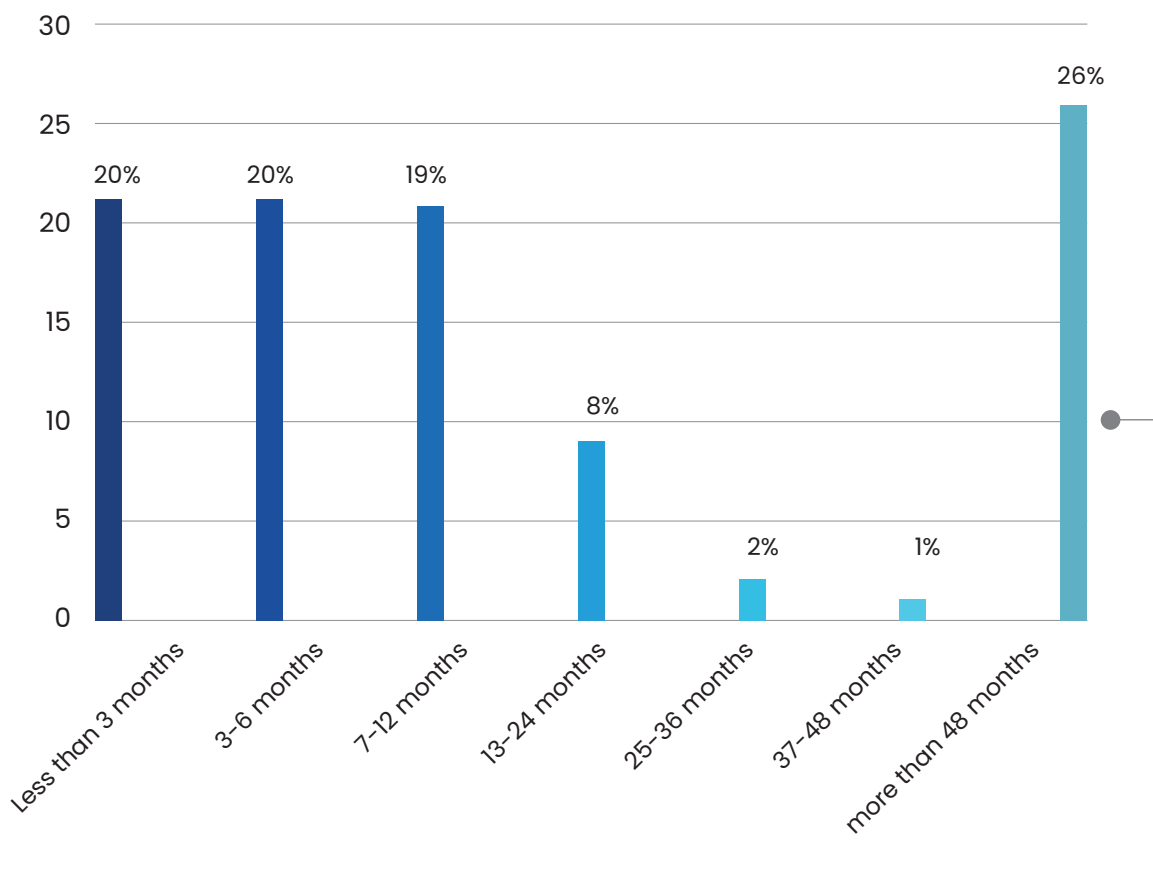


↑ Increase compared to 2021

↓ Decrease compared to 2021

# 2 in 5 startups give employees 6 months or less to exercise their options

**If an employee who is leaving can exercise their options within a set period, what is that period given to employees to exercise?**



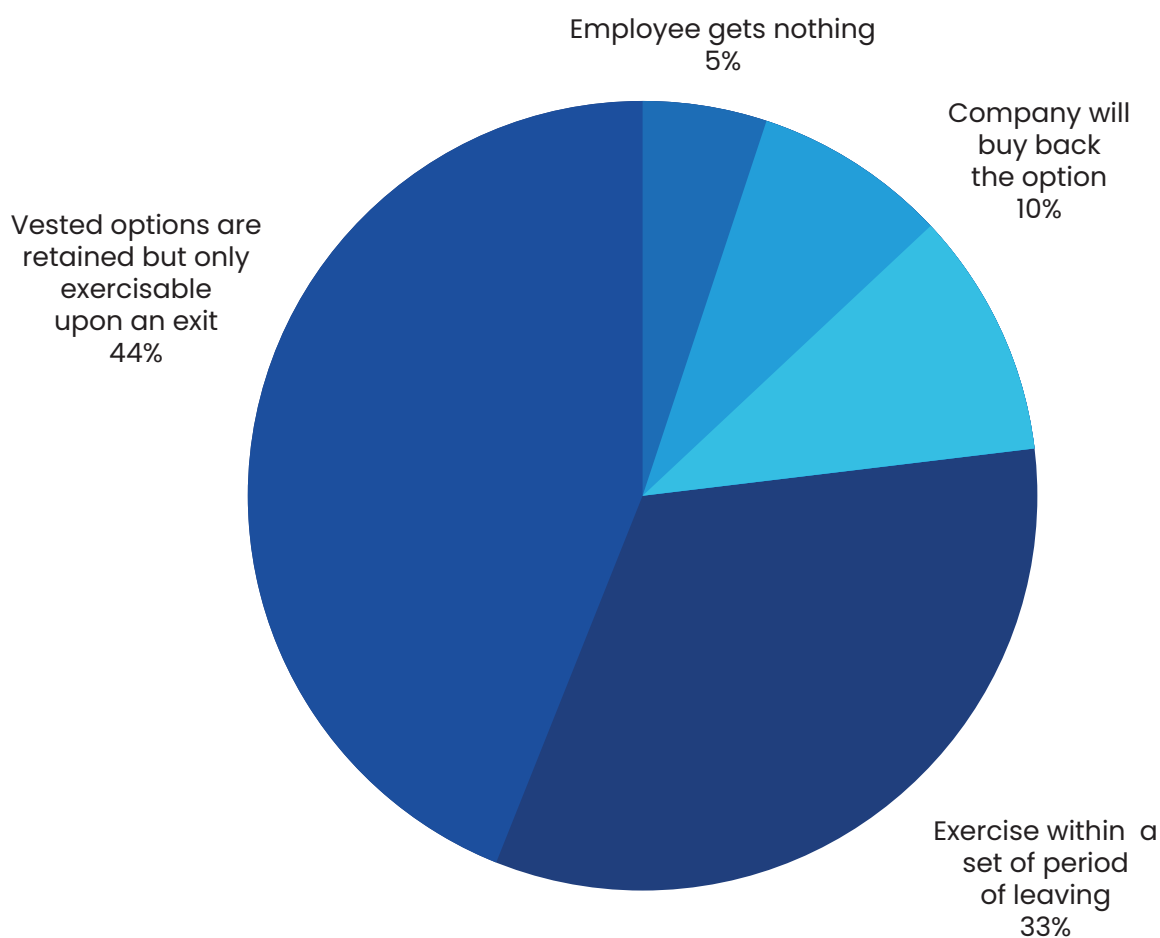
We recognize **1 in 4 startups offer >48 months** to exercise options, and this should be celebrated and encouraged

Since 2021, status quo has been maintained in time offered to employees to exercise their options.

If an employee is leaving, they may struggle to acquire sufficient capital to exercise their stock options, meaning they risk losing them.

# ESOP strike price policies have been enhanced, with 1 in 2 founders offering low or negligible strike price

What happens to the stock options when an employee leaves?



In 2024, 50% of startups offer low or negligible strike prices, up from 36% in 2021. There's also an increase in generous discounts for strike prices, reflecting a trend towards making ESOPs more accessible and attractive to employees



# 2 in 3 startups good/bad leaver policies for ESOPs

**Those who define bad leavers tend to do so fairly.**



According to startups, a bad leaver is an employee fired for major disciplinary breaches (93%) or involved in fraud, negligence or in breach of confidentiality (92%).



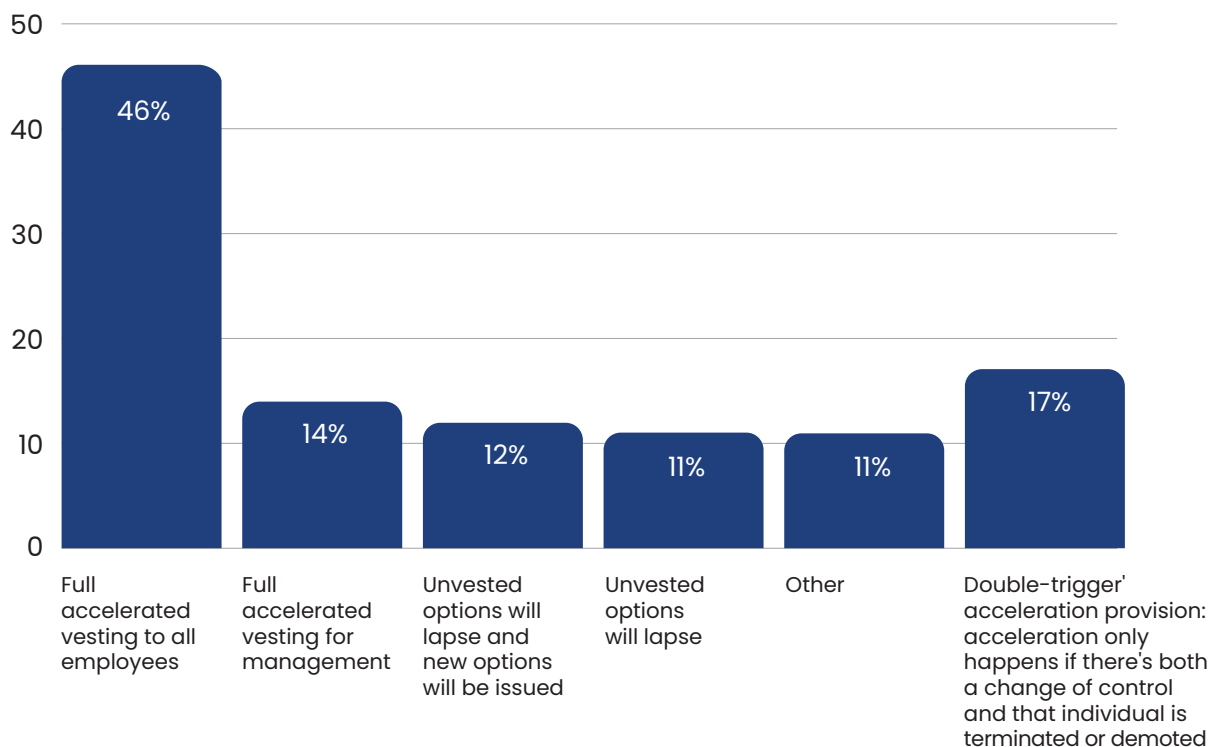
Most startups do not consider employees who choose to leave as bad leavers (only 5% do).



However, 1 in 3 startups consider employees who are terminated for poor performance to be bad leavers, which could create conflict. A good/bad leaver policy ensures all employees have clarity around the implication of leaving on their ESOPs

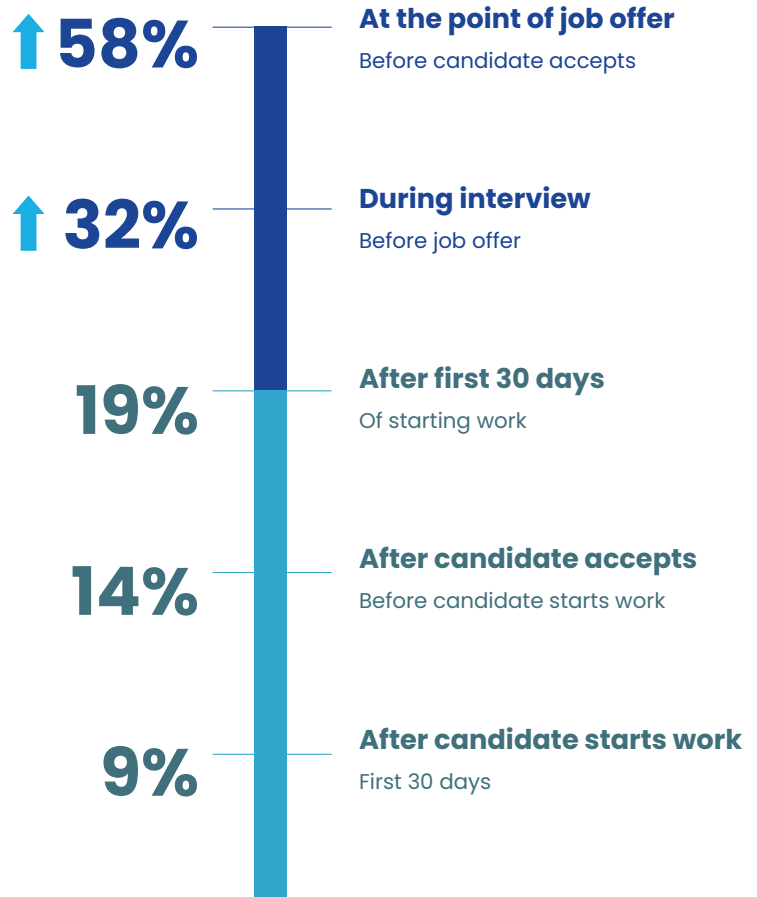
# Only 1 in 2 companies accelerated vesting to all employees in a liquidity event

- A liquidity event should offer the whole team a chance to reap the rewards of their ESOPs, even if only partially.
- 14% of startups only offer accelerated vesting to senior management excluding the rest of the company from the benefits of a liquidity event.
- A shocking 1 in 5 companies let unvested options lapse. For those who issue new options, employees risk losing potential financial upside, as the clock for cliffs and vesting “restarts.”
- This reflects a lack of progress from 2021, which saw similar findings

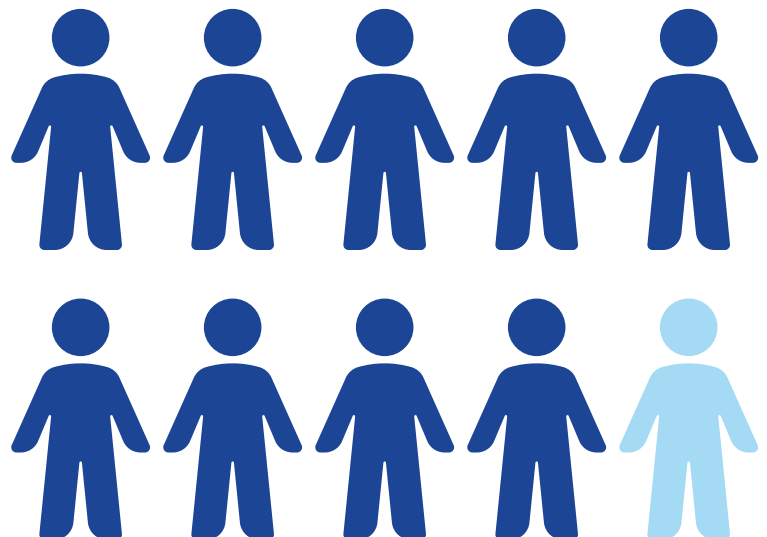


## About 90% of startups in 2024 explain ESOPs before job acceptance, up from 75% in 2021

Founders were allowed to select more than one option, hence responses do not add up to 100%



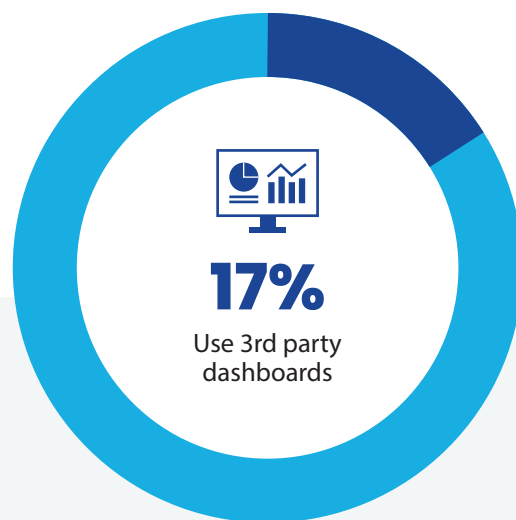
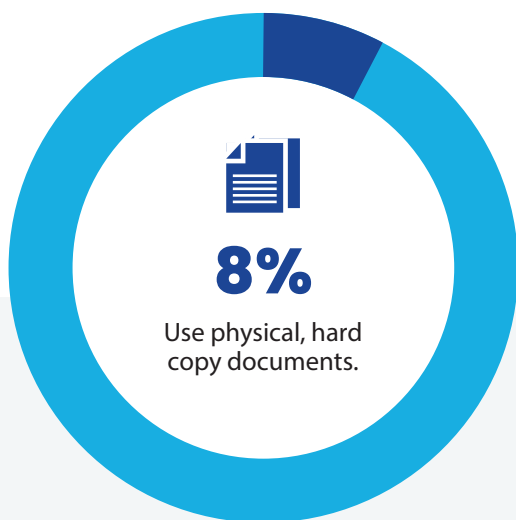
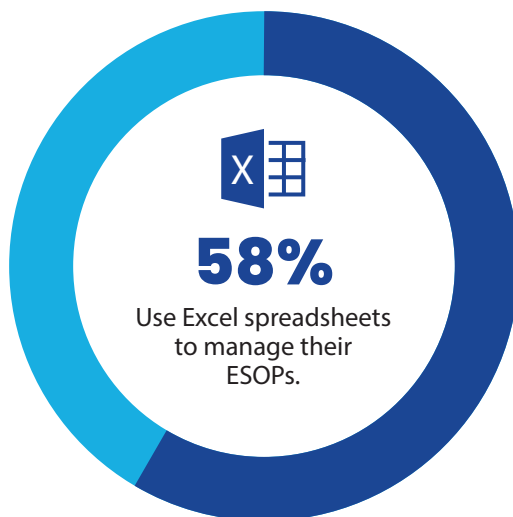
## More than 9 out of 10 leaders make the effort to personally explain ESOPs to their prospective hires



↓ Decrease compared to 2021

↑ Increase compared to 2021

# Startups are still using Microsoft Excel to manage ESOPs, but fewer are relying on physical documents



## Only 1 in 6 startups use a purpose-built dashboard to manage ESOPs

In 2024, 17% of startups use dedicated dashboards for ESOP management, compared to 15% in 2021. This reveals slower adoption of technology to foster transparency and awareness on ESOPs between founders and employees. Positively, fewer companies are relying on physical, hard copy documents in 2024 (8% in 2024 compared to 28% in India in 2021 and 15% in Southeast Asia in 2021).

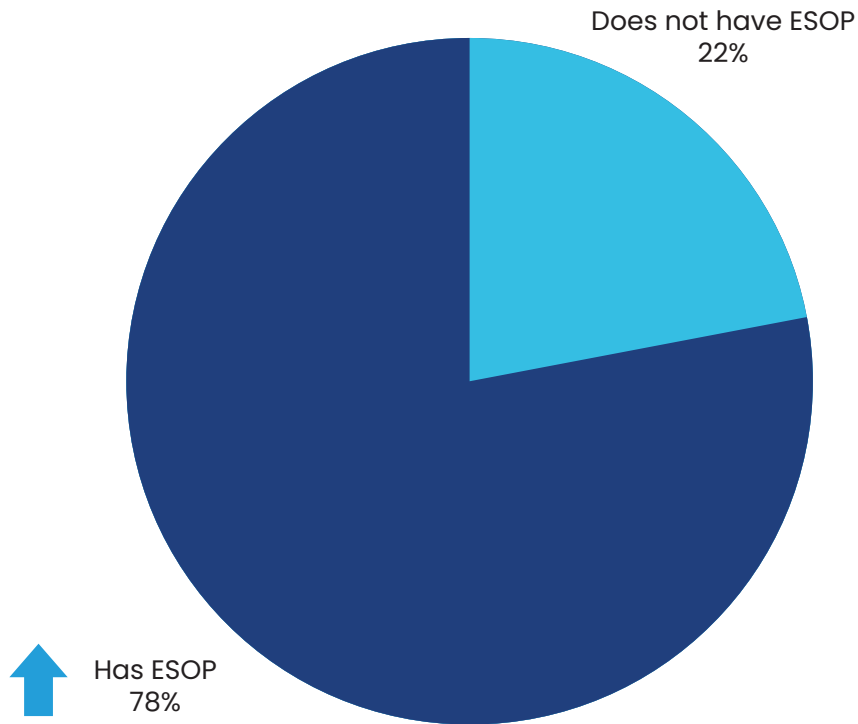
# ESOP FOMO\*: WHO'S MISSING OUT FROM THE UPSIDE?

\*FOMO: Fear of missing out

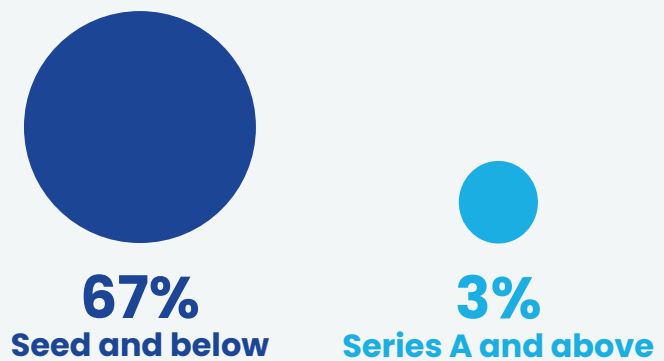


# ESOP adoption in Asia has grown from ~60% to ~80% in the past 3 years

Does your company have ESOPs in place?



**Funding stage of companies without ESOPs:**



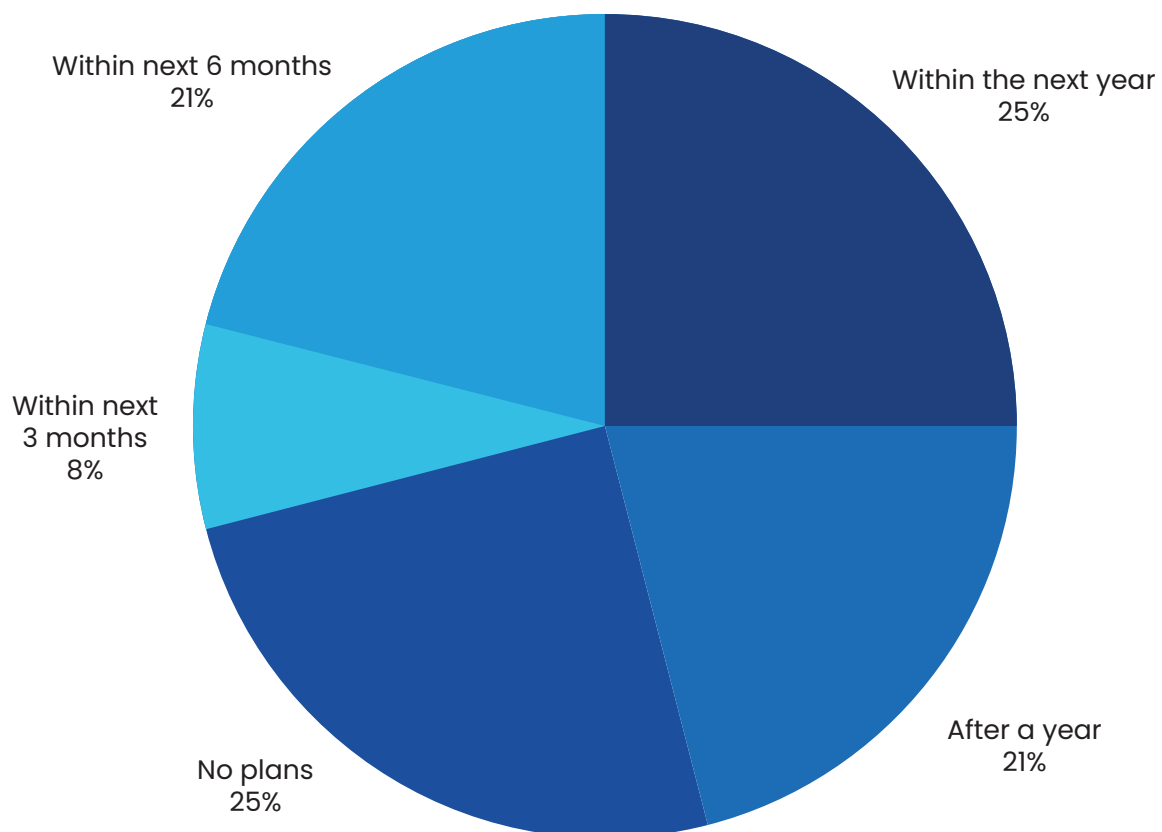
↑ Increase compared to 2021

↓ Decrease compared to 2021

**By 2024**, 78% of startups have implemented ESOPs, up from 62% in 2021, highlighting increased adoption in ESOP over the past 3 years. Unsurprisingly, the majority of companies that do not have ESOPs continue to be fairly early stage startups.

# More than half of companies without ESOPs intend to set ESOPs up within the next 12 months

How soon do you foresee yourself setting up ESOPs?

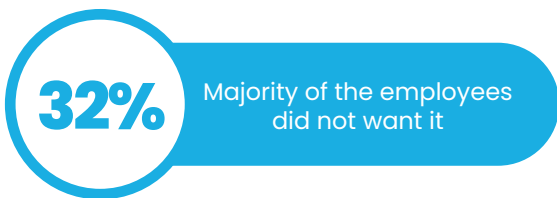
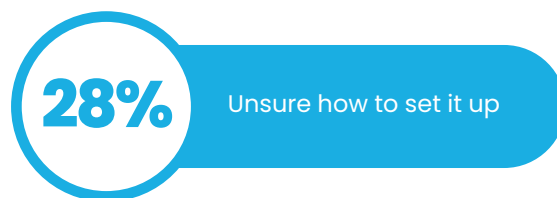


As of 2024, a significant shift in ESOP planning is evident, with **29% of startups planning to set up ESOPs within the next six months**, indicating an urgency towards implementing employee incentives.

Despite the importance of ESOPs, **25% of startups currently have no plans to introduce ESOPs**, reflecting persistent uncertainties or differing strategic priorities.

# The greatest hurdles to ESOPs adoption are lack of information and doubts over their efficacy

The top 3 reasons that companies without ESOPs do not use them:



Top concerns that companies without ESOPs have:



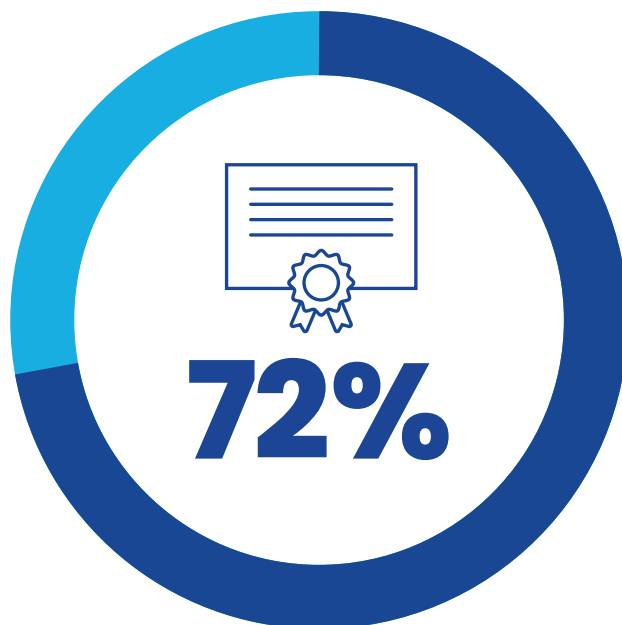


# HOW EMPLOYEES VIEW ESOPs

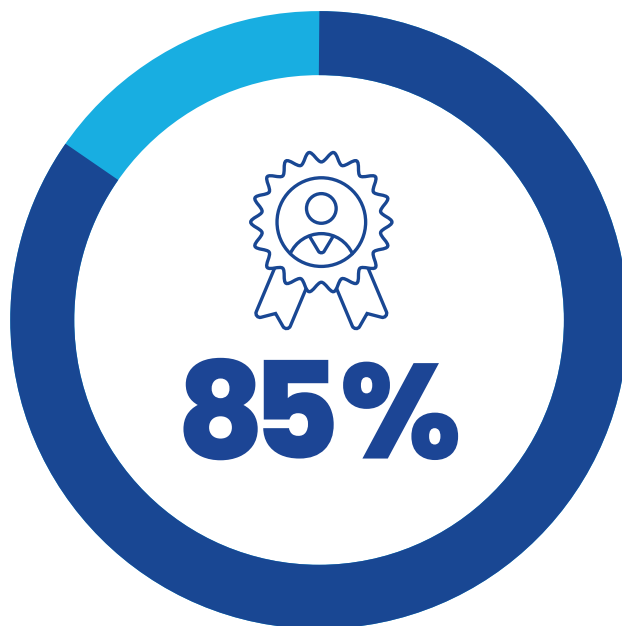


# Majority of employees consider ESOPs important in their career journey

Almost **3 in 4 employees** prioritize ESOPs when considering a new job

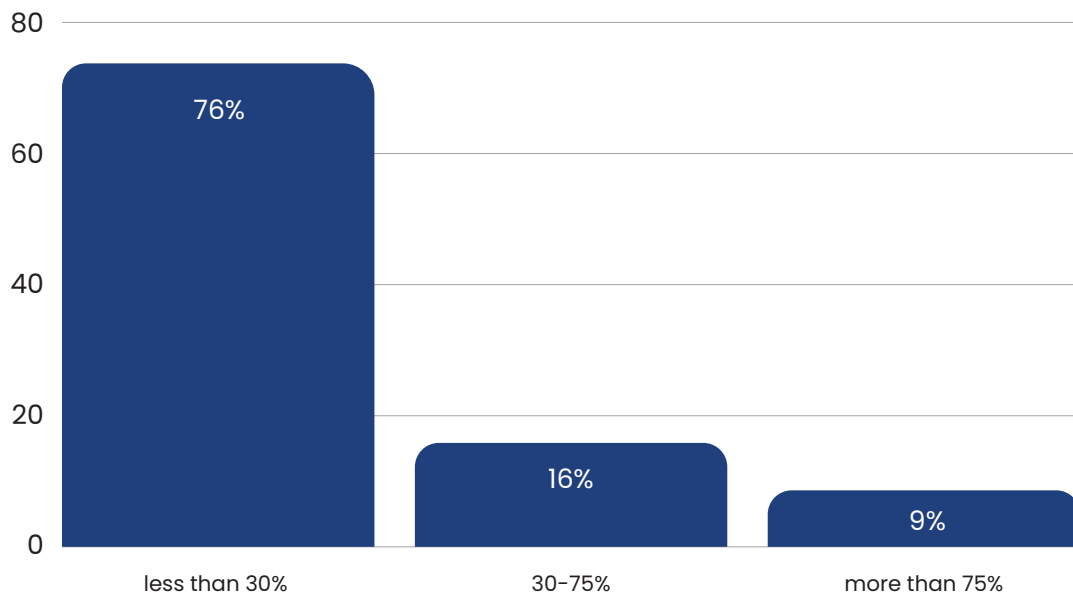


**85% of employees** consider the reputation of company's investors and current valuation when evaluating ESOPs in the job application process

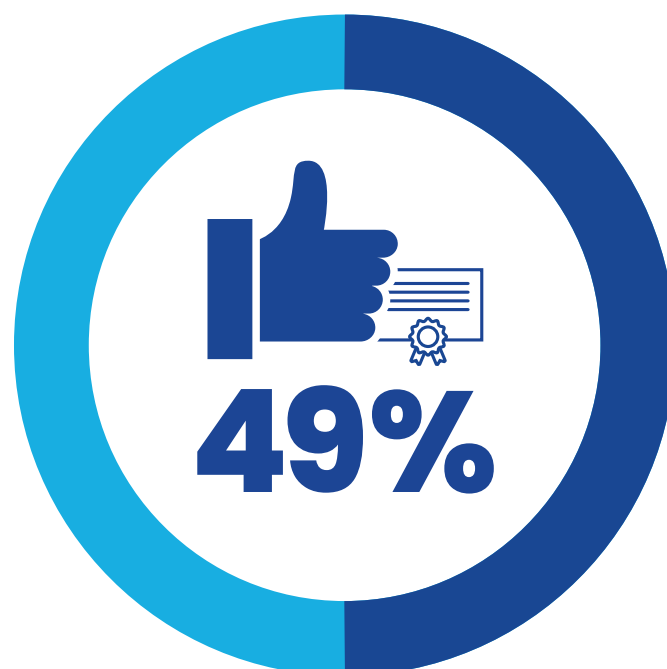


# Despite low initial grants, many employees value ESOPs as much as cash bonuses

**76% of employees** were offered less than 30% of their base salary as ESOPs **at the time of joining the company**



**1 in 2** employees **value ESOPs as much as a cash bonus**

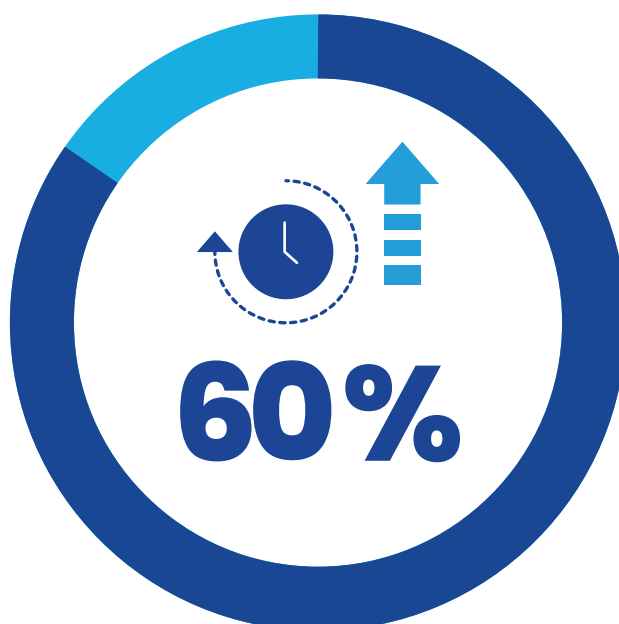


# ESOPs increase employee ownership and retention, highlighting its importance in talent strategy

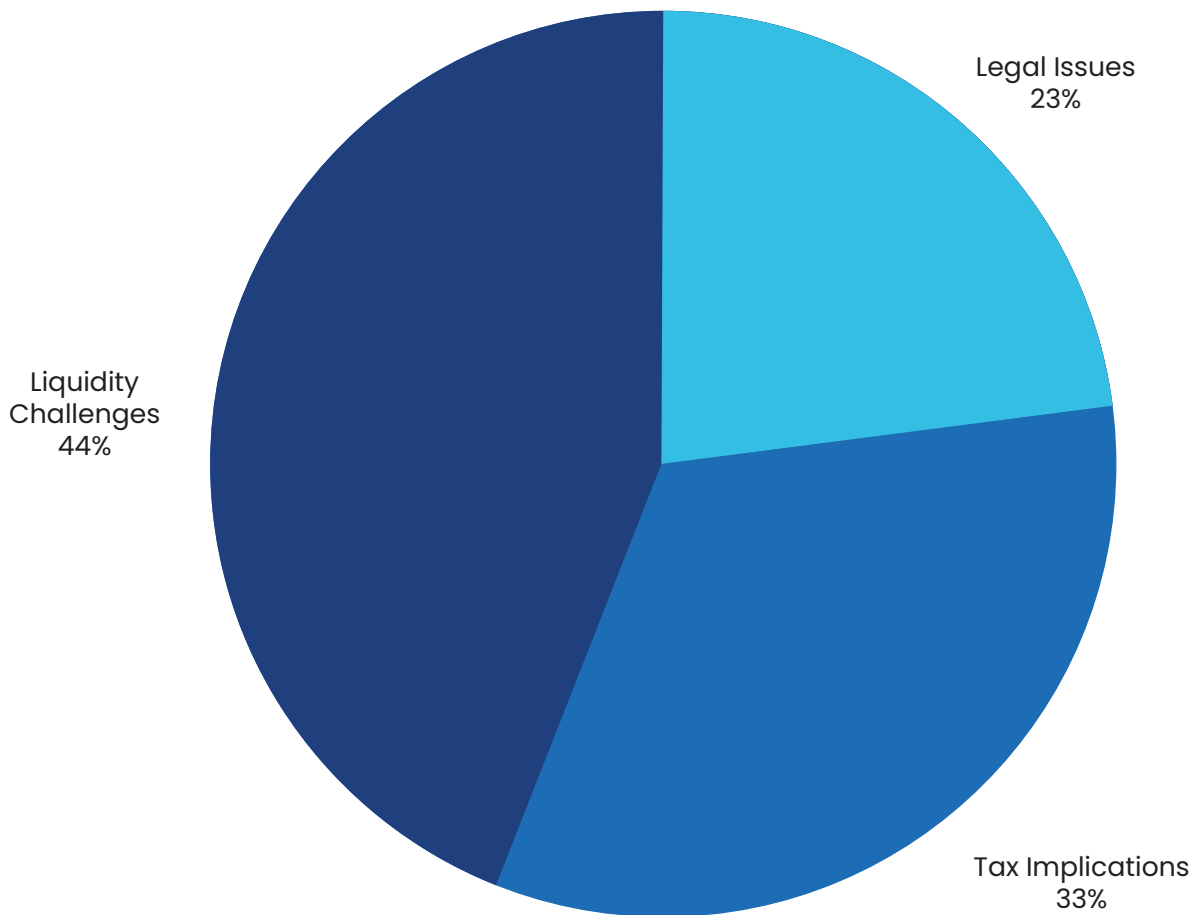
Majority of **employees believe ESOPs** have **boosted** their **sense of ownership** within the company



Almost **2 in 3** employees feel **ESOPs** have **increased likelihood** of them staying longer with the company



# 2 in 5 employees consider liquidity challenges as key hurdle towards ESOPs



Uncertainty regarding **liquidity of ESOPs and tax implications** from the exercise of ESOPs are key concerns that employees have.

Founders have an opportunity to improve education around ESOPs, including **potential liquidation event(s) as well as tax and legal implications** that follow.

# When it comes to ESOPs allocation early employees benefit from higher allocations

## Median Percentage of fully diluted company equity granted

Employee #	% of ownership granted in the form of ESOPs
1	0.50%
2	0.37%
3	0.25%
4	0.16%
5	0.11%
6	0.10%
7	0.08%
8	0.07%
9	0.06%
10	0.06%

Grants of over 20% were excluded

**Source: Carta data**

# The exercise of options remains highly personal to each employee

## Decline in in-the-money option exercises:

Dropped from 88% in 2020 to 31% in 2023, indicating potential reduced confidence in stock growth or waiting for better market conditions.

## Unusual underwater option exercise in 2020:

57% exercised underwater options in Q2 2020, suggesting optimism about a market rebound post-pandemic.

**Long-term trend:** Overall decline in option exercises from 2020 to 2023 reflects changing employee sentiment, risk tolerance, and financial strategies.

Timeframe	Quarter	In-the-money Options	Underwater Options
2020	Q1	21%	21%
	Q2	88%	57%
	Q3	72%	33%
	Q4	45%	35%
2021	Q1	50%	42%
	Q2	37%	42%
	Q3	54%	52%
	Q4	45%	42%
2022	Q1	60%	44%
	Q2	49%	30%
	Q3	39%	30%
	Q4	51%	42%
2023	Q1	41%	22%
	Q2	34%	29%
	Q3	36%	21%
	Q4	31%	20%

# APPENDIX

Appendix 1: ESOPs in Asia

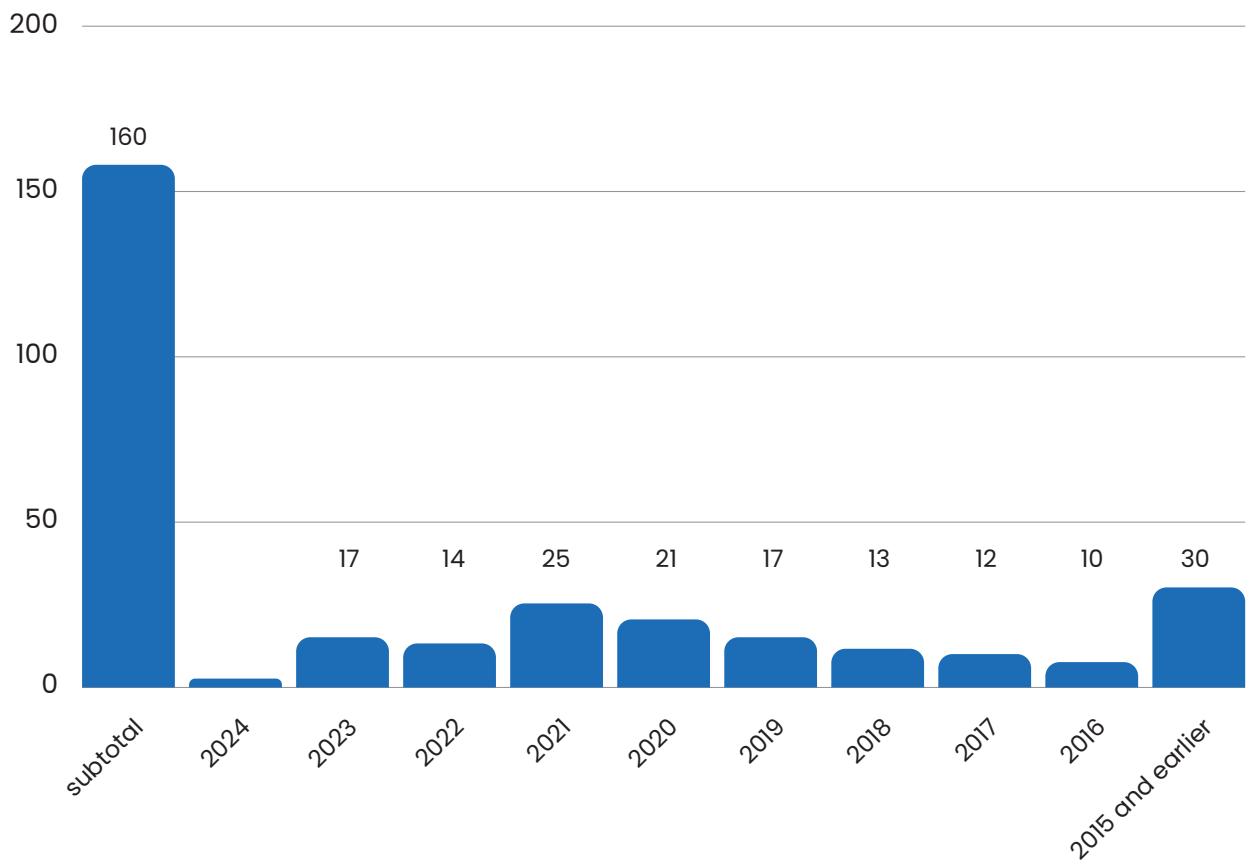




# Demographics of survey respondents: Vintage

Founders and Employees from 160 Companies took part in the survey.

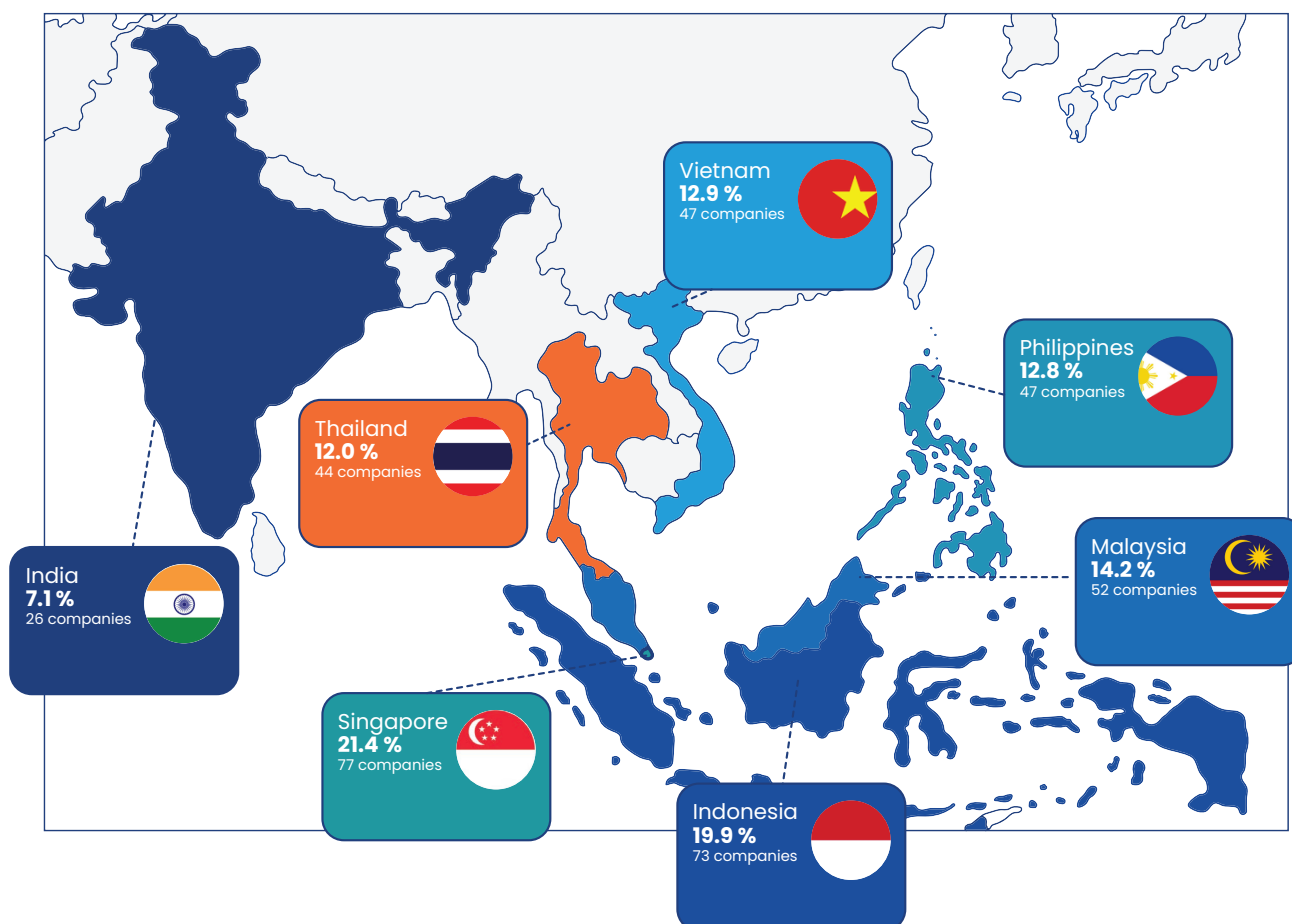
**This table reflects the year the companies were founded:**



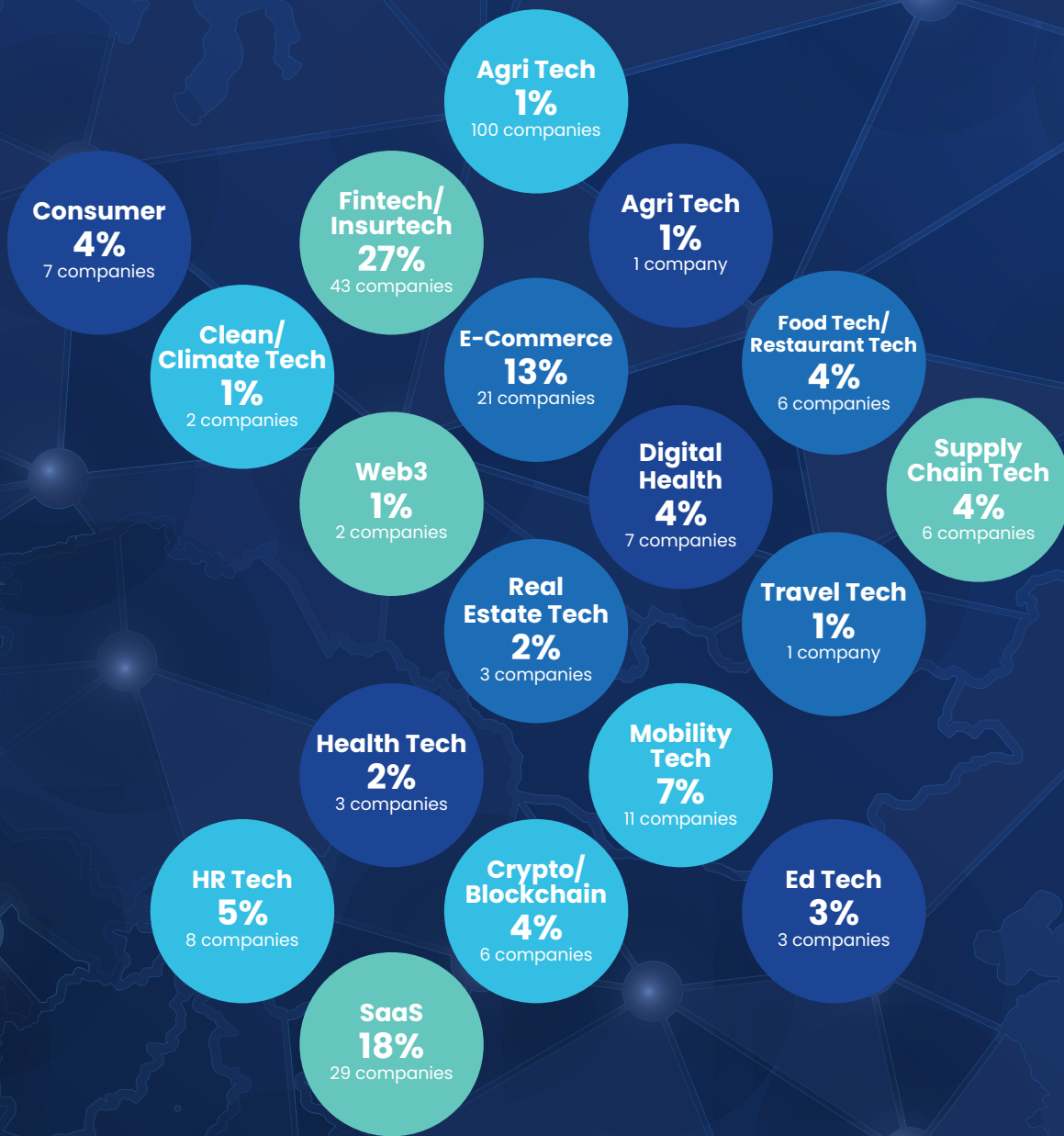
# Demographics of survey respondents: Geography

We asked founders “Which country is / countries are your primary market?”

Founders were allowed to select multiple countries as their target markets.

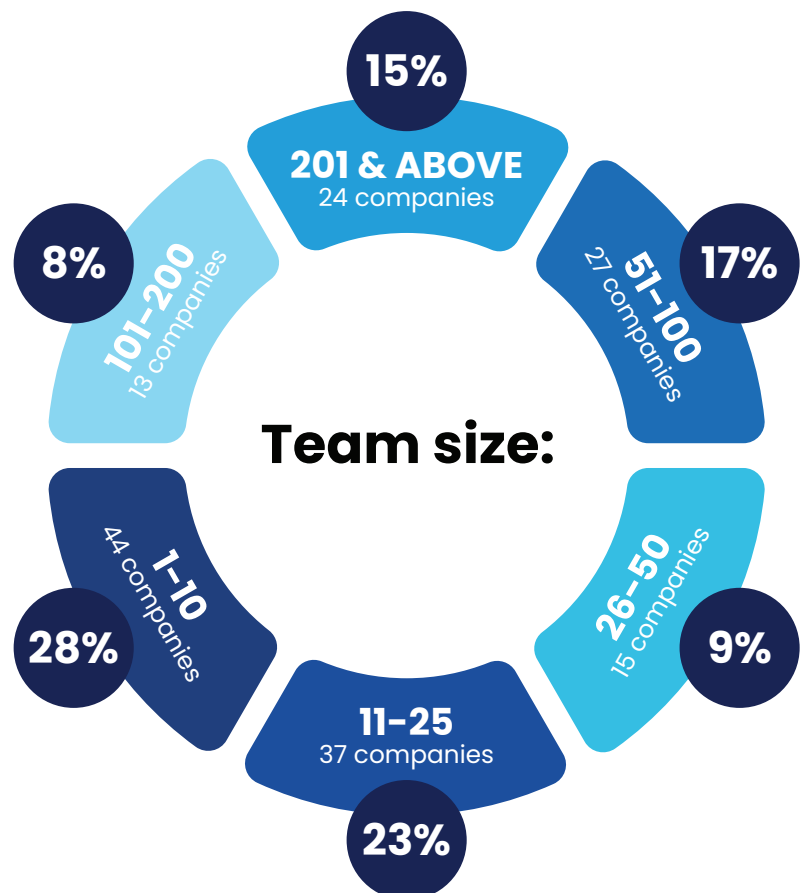
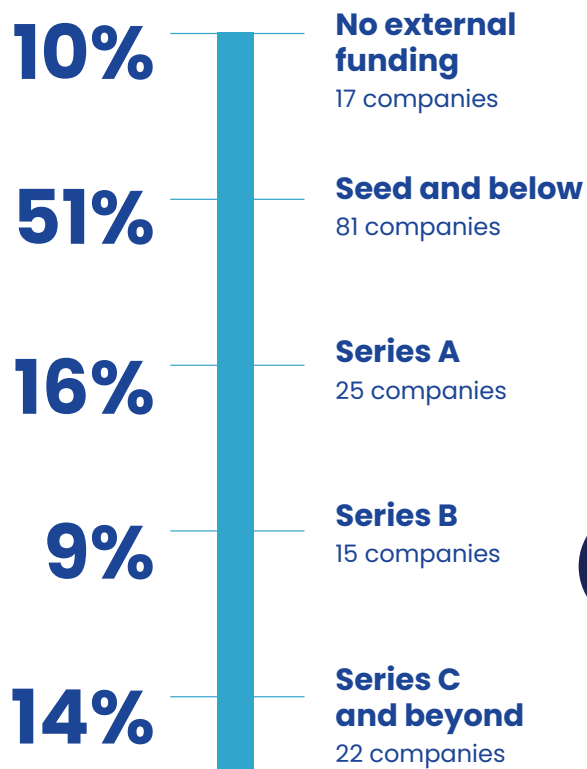


# Demographics of survey respondents: Industries



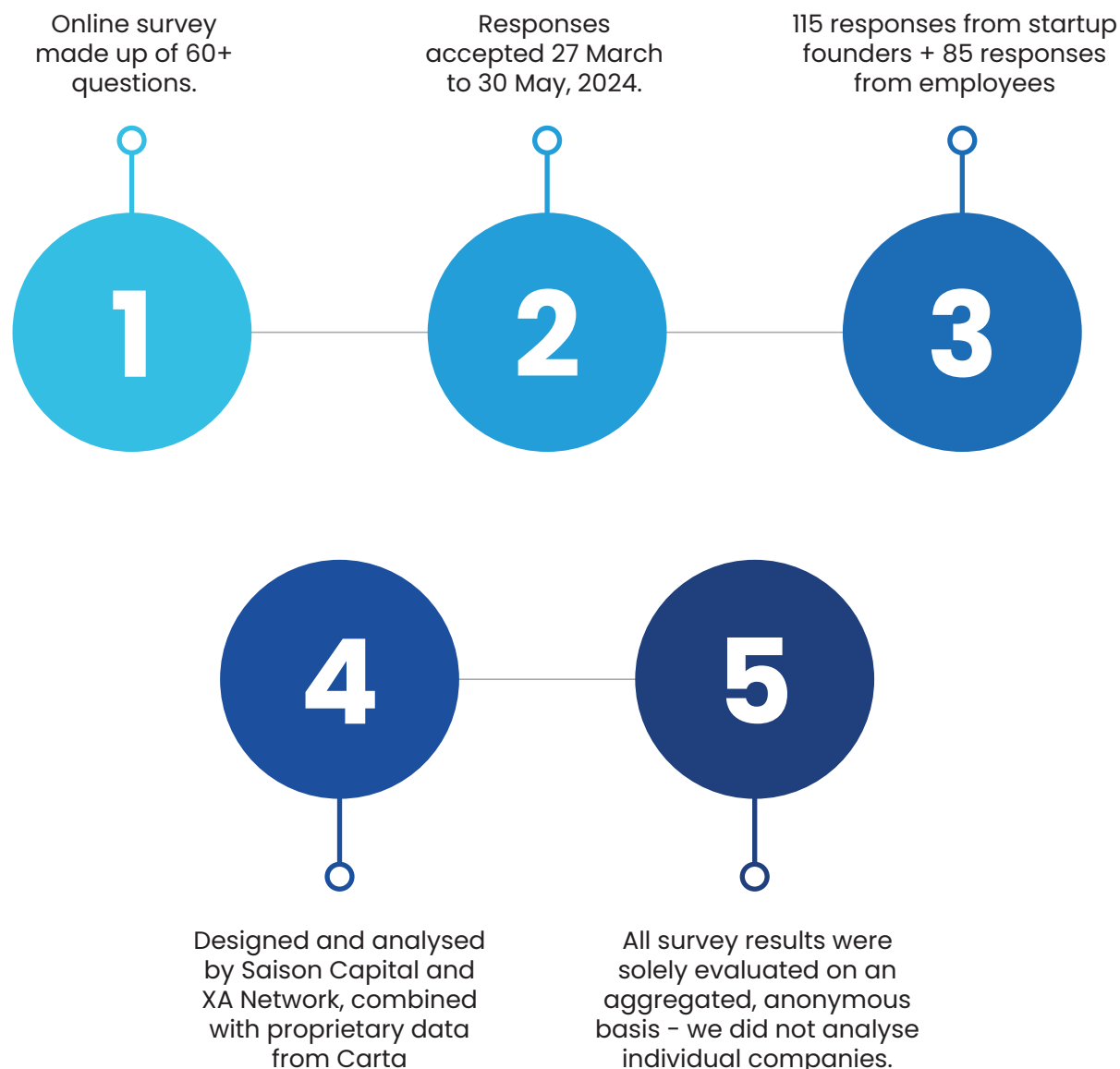
# Demographics of survey respondents: funding and team size

## Stage of funding:



# Methodology

**There are ~70k+ technology startups in Asia according to PitchBook and Tracxn. A sample size of 160 companies translates to a 90% confidence level\* at a 10% margin of error.\*\***



\* Confidence level is the percentage of confidence that the target population would select an answer within a certain range.

\*\* Margin of error is a percentage that the survey results would reflect the views of the overall population.

# Glossary

## 01 BuyBack

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The process where the company may choose to buy back an employee's stock options before a liquidation event at a mutually agreeable price, so that employees can realise value.

## 02 Cliff Period

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The lock-in period before employees are entitled to their vested stock options.

## 03 ESOP

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Employee Stock Option Plan

## 04 Exercise

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The process of converting a stock option to a share.

## 05 Exercise / Strike Price

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The amount to be paid by the employee to convert a stock option to a share.

## 06 Exercise Period

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The time period which the employee can convert the stock option to a share.

# Glossary

## 07 Liquidity Event

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An event, usually involving an external party, where the valuation of the company is re-assessed and additional capital is injected into the company or to shareholders. Usual liquidation events include IPO or an acquisition / investment in which the incoming owner becomes a majority shareholder.

## 08 Secondary Markets

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A market where employees sell stock options to other investors, rather than to the company (buyback).

## 09 Stock Option

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A stock option gives employee the right, but not an obligation, to purchase shares in the company.

## 10 Top Up

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Increasing the number of available stock options for current and future employees.

## 11 Vesting

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The process where employees earn their stock options over time. Vested stock options refer to stock options that have been earned by the employee.

## 12 Vesting Period

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The time period for the awarded stock options to be distributed across.

