

# Disclosure document on the Co-Investment Plan for the management of the Finmeccanica Group

Pursuant to Article 84-bis of Consob's Issuers Regulation approved with resolution no. 11971 of 14 May 1999, as amended.

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## Introduction

This Disclosure Document has been prepared by Finmeccanica S.p.a. (the “Company”) to provide information to its shareholders and the market on the proposal to adopt the Co-Investment Plan, based on financial instruments, that, on 25 March 2015, the Board of Directors of the Company, acting on a proposal of the Remuneration Committee at its meeting of 24 March 2015, voted to submit for approval by the Ordinary Shareholders’ Meeting called to meet on 8 and 11 May 2015, at first and second call respectively.

More specifically, the Disclosure Document was prepared in accordance with Article 84-bis of Regulation 11971/1999 (the “Issuers Regulation”) to explain the terms and conditions of the Plan. In view of its Beneficiaries, the Plan can potentially be considered to be “of major importance” pursuant to Article 114-bis, paragraph 3, of the Consolidated Law on Financial Intermediation (Legislative Decree 58/98) and Article 84-bis, paragraph 2, of the Issuers Regulation.


Any information currently not available concerning the implementation phase of the Plan, to be determined by the Board of Directors of the Company acting on a proposal by the Remuneration Committee following approval by the Shareholders’ Meeting, will be made available, pursuant to Article 84-bis, paragraph 5a) of the Issuers Regulation, within the time limits and in the manner provided for by applicable regulations.

The Plan is open to members of Group management participating in the MBO Plan and consists in the voluntary deferral with investment in Company Shares of all or part of the annual bonus accrued under the MBO Plan in which managers participate. Following conversion of the bonus into Shares, at the end of a three-year Vesting Period, additional bonus shares are awarded if the annual performance of the Company remains consistently positive.

This Disclosure Document is available to the public at the Company’s registered office located at Piazza Monte Grappa no. 4 in Rome, as well as on the Company’s website ([www.finmeccanica.com](http://www.finmeccanica.com)) and through the market regulator, Borsa Italiana S.p.A., and on the NIS-Storage authorised storage system ([www.emarketstorage.com](http://www.emarketstorage.com)).

The following definitions apply:

- “Beneficiaries”: refers to the participants in the Plan, who the Board of Directors shall identify by name.
- “Board of Directors” or “Board”: refers to the Board of Directors of the Company.
- “Co-Investment Plan”: refers to the plan that converts a portion of the bonus granted under the MBO Plan into Shares and granting, at the end of the Vesting Period, additional bonus Shares if the Performance Condition has been achieved.
- “Company”: refers to Finmeccanica S.p.a., having its registered office at Piazza Monte Grappa no. 4, Rome (RM), Italy.
- “Group”: refers to Finmeccanica S.p.a. and its direct and indirect subsidiaries, pursuant to the applicable law.
- “MBO Plan”: refers to the short-term incentive system of Finmeccanica, which awards an annual bonus subject to achievement of specific targets. The MBO Plan is open to all Group managers.
- “Performance Condition”: refers to the consistent achievement of the annual Performance Gate associated with the MBO Plan during the Vesting Period.

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- “Performance Gate”: refers to the indicators of overall business profitability. Failure to achieve the target values for the indicators results in the cancellation of the entire annual bonus under the MBO Plan.
  - “Plan”: refers to the Co-Investment Plan of the Company for Group management.
  - “Relationship”: refers to the relationship of employment and/or administration between the Beneficiary and the Group.
  - “Remuneration Committee” or “Committee”: refers to the Finmeccanica Committee established by the Company in implementation of the recommendations in the Corporate Governance Code for Listed Companies approved by the Corporate Governance Committee of Borsa Italiana SpA in March 2006, as subsequently amended.
  - “Rules”: refer to the document that establishes the terms and conditions applicable to the Plan and that implements it. The Rules will be established by the Board of Directors following the approval of the Plan by the Shareholders’ Meeting.
  - “Shares”: the ordinary Shares of the Company listed on the electronic stock market (*Mercato Telematico Azionario*) organised by Borsa Italiana.
  - “Subsidiaries”: refer to the Italian and/or foreign subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code.
  - “Vesting Date”: the date on which the Beneficiaries of the Co-Investment Plan indicate their intention to participate in said plan by notifying the Company in the manner that will be announced to the Beneficiaries upon Plan implementation.
  - “Vesting Period”: refers to the three-year period from the Vesting Date in relation to which the fulfilment of the Performance Condition is verified.

## **1. Beneficiaries**

The Plan is open to the Group's management, which includes the Chief Executive Officer and General Manager, as identified by the Board of Directors following the approval of the Plan by the Shareholders' Meeting.

### **1.1. Identification by name of Beneficiaries who are members of the Board of Directors of the Issuer, its parent companies and its direct and indirect subsidiaries**

The Beneficiaries of the Plan include the Chief Executive Officer and General Manager, Mauro Moretti, in his capacity as General Manager of Finmeccanica S.p.a.. Following the approval of the Plan by the Shareholders' Meeting, the Board of Directors will identify the other Beneficiaries from among the executive directors, employees and/or associates (former employees) of the Company and the Group companies, holding management positions and participating in the Group MBO Plan. At its meeting of 25 March 2015, the Board of Directors approved, acting on a proposal of the Remuneration Committee, the criteria for identifying potential Beneficiaries, as indicated in section 1.2 below, and the general structure of the Plan, deferring the specific resolutions concerning the implementing details to a subsequent Board meeting to be held after the Plan is approved by the Shareholders' Meeting. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

### **1.2. Categories of employees or associates of the Issuer and of the parent companies or subsidiaries of said Issuer**


The Plan is open to managers, who have not yet been identified by name, comprising persons in an employment relationship with the Group in Italy and/or abroad, in one of the following categories:

- (a) those classified as managers (*dirigente*) of the Company;
- (b) those classified as managers (*dirigente*) of the Subsidiaries having their registered offices in Italy;
- (c) those classified as managers (*dirigente*) or the equivalent of the Subsidiaries having their registered offices abroad;
- (d) associates (former employees) that hold positions as corporate officers or other management positions with the Company or the Subsidiaries.

The individual Beneficiaries will be selected by the Board of Directors following approval of the Plan by the Shareholders' Meeting. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

### **1.3. Identification by name of the Beneficiaries belonging to the groups indicated in section 1.3, letters a), b) and c) of Annex 3A, Scheme 7 of the Issuers Regulation**

It will be possible to indicate the names of the Beneficiaries, with the exception of the information already provided in section 1.1, at the time of the implementation of the Plan by the Board of Directors. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.



**1.4 Description and number of Beneficiaries, divided into the categories indicated in section 1.4, letters a), b), and c) of Annex 3A, Scheme 7 of the Issuers Regulation**

The individual Beneficiaries will be identified following approval of the Plan by the Shareholders' Meeting. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

## **2. Reasons for adopting the Plan**

### **2.1. Objectives to be achieved by means of the attribution of the Plan**

By adopting the Plan, the Company is pursuing the goal of creating the conditions for Group management to purchase and hold Company Shares for a specified period, thereby increasing the convergence of the interests of management with those of the shareholders in the medium term.

### **2.2. Key variables, including performance indicators, considered in order to attribute the Plan**

The Plan is open to Group management and consists in the voluntary deferral with investment in Company Shares of up to 100% of the annual bonus accrued under the MBO Plan. The portion of the annual bonus invested in Shares is subject to a three-year Vesting Period at the end of which additional bonus shares will be awarded to Beneficiaries subject to satisfaction of the Performance Condition. The implementation of the Plan will be decided by the Board, following approval of the Plan by the Shareholders' Meeting, with the issue of specific Rules. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

### **2.3. Factors underlying the determination of the amount of compensation based on financial instruments, i.e. the criteria for its determination**

The Plan allows the Beneficiaries to voluntarily invest up to 100% of the bonus under the MBO Plan accrued in relation to the previous year in Company Shares. The conversion into Shares requires that the Shares be held for a Vesting Period. At the end of the Vesting Period, subject to achievement of the Performance Condition, the Beneficiaries will be awarded additional bonus Shares in the proportion of 1 bonus Share for every 3 Shares held under the Plan.

### **2.4. Reasons for any decision to attribute compensation Plans based upon financial instruments not issued by the Issuer, such as financial instruments issued by subsidiaries or parent companies or third party companies with respect to the group of origin; in the event that said instruments are not traded on regulated markets, information on the criteria used to determine the value assigned to them.**

Not applicable.

### **2.5. Evaluations with regards to significant tax and accounting implications that have affected the definition of the Plan**

The structure of the Plan has not been affected by applicable tax regulations or accounting implications.

### **2.6. Any support of the Plan by the special Fund to encourage workers to participate in businesses, pursuant to Article 4, paragraph 112 of Law 350 of 24 December 2003**

The Plan does not receive any support from the special Fund to encourage workers to participate in businesses, pursuant to Article 4, paragraph 112 of Law 350 of 24 December 2003.



### **3. Approval procedure and the timing of the granting of instruments**

#### **3.1. Scope of powers and functions delegated by the Shareholders' Meeting to the Board of Directors in order to implement the Plan**

On 25 March 2015 the Board of Directors, on the basis of the preliminary work of the Remuneration Committee, approved the general framework for the Plan and voted to submit it for approval to the Shareholders' Meeting called for 8 and 11 May 2015 at first and second call, respectively.

The Shareholders' Meeting in conjunction with its resolution approving the Plan, will authorise the Board to implement and manage the Plan. The range of powers delegated to the Board of Directors, which may be exercised subject to having received a favourable opinion or proposal from the Remuneration Committee, include:

- determining in detail how the Plan will be implemented;
- approving the Rules of the Plan and any updates;
- identifying the Beneficiaries by name.

#### **3.2. Identification of the persons responsible for administering the Plan and their function and competence**

The body responsible for decisions concerning the Plan, without prejudice to the powers of the Shareholders' Meeting, is the Board of Directors of the Company, which supervises the operational administration of the Plan, applying the rules set out in the Implementing Rules.


The Board of Directors may also delegate the Chief Executive Officer to implement the Plan Rules, make any amendments, and manage one or more aspects of the Plan. More specifically, the Chief Executive Officer may:

- (i) identify any other Plan Beneficiaries in compliance with the criteria and limits set out by the Plan itself;
- (ii) award the bonus, specifying the Performance Condition to which the award of the bonus shares is subject;
- (iii) verify, during the course of the period of the Plan, continued compliance with the requirements for participation in the Plan;
- (iv) verify achievement of the Performance Condition and, for each Beneficiary, determine the number of additional Shares due to them following such verification.

These activities, where delegated, shall be carried out on the basis of the preparatory work or advice of the Remuneration Committee.

#### **3.3. Any procedures in place for the review of the Plan, including in relation to any change in the basic objectives**

During the implementation phase, the Board, acting on a proposal of the Remuneration Committee, will draft the Plan Rules, which will include, among other things, any procedures, terms and conditions for reviewing the Plan. These procedures will give the Board the power to modify the Performance Condition of the Plan in the event that extraordinary and/or unforeseeable situations or circumstances arise that could significantly impact the results and/or the scope of the Group.



In the case of extraordinary operations involving Company equity, extraordinary situations not envisaged in the Plan Rules or any changes to current pension and tax legislation or to any other applicable legislation or regulation (including governance rules) or in their interpretation and application, the Board of Directors will have the power to make any changes to the Plan, autonomously and without the need for further approval from the Shareholders' Meeting, deemed necessary or appropriate to maintain the substantive and financial content of the Plan the same with respect to regulations that may come into effect from time to time.

#### **3.4. Description of the procedures for determining the availability and assignment of the financial instruments on which the Plan is based**

To implement the Plan, ordinary Shares of the Company will be awarded to the Beneficiaries, the number of which will vary based on the amount of the annual bonus under the MBO Plan that the Beneficiaries voluntarily decide to invest in Shares and based on the stock price at the time of the investment. Additional bonus shares will be awarded at the end of the Vesting Period if the Performance Condition has been achieved. The Shares serving the Plan will consist of Shares already issued, to be purchased in accordance with Article 2357 et seq. of the Italian Civil Code, or already held by the Company. In this regard, at its meeting of 25 March 2015 the Board of Directors voted to submit a proposed authorisation to purchase and distribute Treasury shares for the Plan to the Shareholders' Meeting for approval.

If, at the time it becomes necessary to award the Shares, the requirements for the purchase of Treasury shares should not be met, the investment of the bonus in Shares and the award of additional bonus Shares may be replaced, in part or in full, by the award of a cash amount equivalent to the value of the Shares to which each of the Beneficiaries would have been entitled under the Plan.

#### **3.5. The role played by each director in determining the characteristics of the Plan, any conflicts of interest concerning the relevant directors**

The entire process of determining the characteristics of the Plan was carried out collectively, with the advice and recommendations of the Remuneration Committee, in accordance with the recommendations of the Corporate Governance Code and with best corporate practices in this field. The resolution with which the Board of Directors will adopt the Plan Rules will be approved in accordance with the applicable regulations.

#### **3.6. Date of the resolution of the Board of Directors proposing that the Shareholders' Meeting approve the Plan and any proposals of the Remuneration Committee**

At its meeting of 25 March 2015, the Board of Directors of Finmeccanica S.p.a., acting on the proposal of the Remuneration Committee (meeting on 24 March 2015), approved the general architecture of the Plan and the proposal to submit the Plan to the Shareholders' Meeting of Finmeccanica S.p.a. for approval.

#### **3.7. Date of the decision made by the Board of Directors concerning the granting of the instruments and any proposal to the Board made by the Remuneration Committee**

The Plan and the financial instruments servicing its implementation shall be submitted for approval to the Shareholders' Meeting called for 8 and 11 May 2015 at first and second call, respectively. Following approval of the Plan by the Shareholders' Meeting, the Board of Directors make the decisions concerning the implementation of said Plan.

### **3.8. The market price, recorded on said dates, for the financial instruments on which the Plan is based**

On 24 and 25 March 2015, respectively, when the Remuneration Committee and the Board of Directors met to define the proposed Plan to submit to the Shareholders' Meeting called for 8 and 11 May 2015 at first and second call, respectively, the official stock market price of Finmeccanica Shares was € 11,47 and € 11,17 respectively.

The price of the Shares at the time of the decision of the Board of Directors concerning the implementation of the Plan will be announced in the manner specified in Article 84-bis, paragraph 5a) of the Issuers Regulation.

### **3.9. Deadlines and procedures which the Issuer takes into account in determining the timing of the granting of the instruments in implementation of the Plan, of the possible timing coincidence of: (i) said grant or any decisions taken in this regard by the Remuneration Committee, and (ii) the circulation of any significant information pursuant to Article 114, paragraph 1, of the Consolidated Law on Financial Intermediation**

The decisions concerning the implementation of the Plan will be made in one or more meetings by the Board of Directors, the Plan having received the prior approval of the Shareholders' Meeting, having received the opinion of the Remuneration Committee and having heard the Board of Statutory Auditors, in accordance with applicable regulations.

The conversion of the bonus in Shares will be carried out at the average share price calculated over a period of 30 calendar days.

The right of Beneficiaries to receive the additional bonus Shares will accrue after a three-year Vesting Period and only after achievement of the Performance Condition.

Accordingly it was not necessary to make any specific provision in this regard.

## **4. The characteristics of the instruments awarded**

### **4.1. Description of the ways in which the compensation plans based on financial instruments are structured**

The Plan allows the Beneficiaries to invest up to 100% of their annual bonus under the MBO Plan in Company Shares. Additional bonus Shares will be awarded on the basis of the number of the Shares held by the Beneficiaries through conversion of their annual bonus. The Beneficiaries will be awarded the additional bonus Shares in the proportion of 1 bonus Share for every 3 Shares held under the Plan. The additional bonus Shares will be awarded at the end of the Vesting Period, subject to achievement of the Performance Condition.

### **4.2. Indication of the period of effective implementation of the Plan, including with reference to any different cycles envisaged**

The Plan has a rolling structure of cycles that will begin on 2015, 2016 and 2017.

The Plan has a three-year reference period for each cycle, the first cycle of which comprises the years 2015, 2016 and 2017, with determination of achievement of the Performance Condition following the approval of the consolidated financial statements for each year of the three-year period. Accordingly, any additional bonus Shares due to the Beneficiaries will be delivered in 2018.

For the second cycle, the reference period comprises the years 2016, 2017 and 2018, with determination of achievement of the Performance Condition following the approval of the consolidated financial statements for each year of the three-year period. Accordingly, any additional bonus Shares due to the Beneficiaries will be delivered in 2019.

For the third cycle, the reference period comprises the years 2017, 2018 and 2019, with determination of achievement of the Performance Condition following the approval of the consolidated financial statements for each year of the three-year period. Accordingly, any additional bonus Shares due to the Beneficiaries will be delivered in 2020.

### **4.3. Termination of the Plan**

Please see section 4.2 above.

### **4.4. Maximum number of financial instruments, including options, granted in each tax year in relation to the individual persons named or the given categories**

The Board of Directors has set the maximum number of Shares for the first implementation period of the incentive plans at 5,800,000. In addition to this Co-Investment Plan, these plans comprise the Long-Term Incentive Plan that the Board has voted to submit for approval to the Shareholders' Meeting. A separate disclosure document for the latter plan has been prepared and published at the same time on the Company's website ([www.finmeccanica.com](http://www.finmeccanica.com)). Any Shares serving the Plan for subsequent periods will be subject to approval by the competent bodies in accordance with the applicable regulations.

**4.5. The methods and clauses for the implementation of the Plan, specifying if the effective granting of the instruments is subject to conditions being met or certain results, including performance results, being achieved; description of such conditions and results**

The award of the additional bonus Shares is subject to achievement of the Performance Condition. The implementing criteria of the Performance Condition will be determined at the time the Plan is implemented in specific Rules approved by the Board of Directors, having received the opinion of the Committee and, where necessary, the Board of Statutory Auditors. Please see the disclosures that will be provided under Article 84-bis, paragraph 5a) of the Issuers Regulation.

**4.6. Indication of any restrictions on availability affecting the instruments granted or the instruments arising from the exercise of the options, with specific reference to the terms within which the subsequent transfer to the company or third parties is permitted or prohibited**

The Shares resulting from the conversion of the bonus under the MBO Plan will be subject to restrictions on their availability for a period of 36 months, i.e. the entire Vesting Period. Any additional bonus Shares awarded at the end of the Vesting Period following achievement of the Performance Condition will not be subject to any restrictions.

**4.7. Description of any conditions for termination of the attribution of the Plan in the event the participants engage in hedging operations that would allow them to neutralise any prohibitions on the sale of the financial instruments awarded, including in the form of options, or of financial instruments arising from the exercise of such options**

Not applicable.

**4.8. Description of the effects of the termination of the employment relationship**

In awarding the additional bonus Shares, it is assumed that an ongoing Relationship exists and that work is actually performed until the end of the Vesting Period. The Rules to be prepared by the Board, acting on a proposal of the Remuneration Committee, during the Plan implementation phase will govern the effects of any termination of the Relationship.

**4.9. Indication of any other reasons for cancellation of the Plan**

Any reasons for cancellation of the Plan will be specified during the Plan implementation phase.

**4.10. The reasons for any potential provision for “redemption” by the company of the financial instruments underlying the plans, arranged in accordance with Articles 2357 et seq. of the Italian Civil Code; the beneficiaries of the redemption, indicating whether the redemption is intended just for certain categories of employees; effects of termination of the employment relationship on such redemption**

Not applicable.

**4.11. Any loans or other benefits to be granted for the purchase of the shares in accordance with Article 2358 of the Italian Civil Code**

Not applicable.

**4.12. Indication of the assessment of the expected cost to the Company at the date of the relative grant, as can be determined based upon the terms and conditions already defined, by total amount and in relation to each Plan instrument**

The cost of the Plan to the Company is limited to any bonus shares awarded following conversion of the bonus under the MBO Plan subject to the requirement to hold the Shares for the entire three-year Vesting Period and to achievement of the Performance Condition.

The expected cost to the Company will depend on the number of managers from among the potential Beneficiaries who decide to participate, on the amount of the bonus under the MBO Plan that they decide to invest in Shares and on the price of the Shares at the time of the conversion of the bonus. The number of additional bonus Shares to be awarded at the end of the Vesting Period will be determined in direct proportion to the number of Shares that the Beneficiaries hold under the Plan.

In the light of the above variables, it is currently not possible to reliably determine the expected cost to the Company.

**4.13. Indication of any dilutive effects on share capital caused by the compensation plan**

In view of the fact that the Shareholders' Meeting called to approve the Plan will also be called to authorize the Board of Directors to purchase and distribute Treasury shares for the purposes of the incentive plans, no dilutive effects are currently expected.

**4.14. Any restrictions on the exercise of voting rights or on the attribution of property rights**

The Shares will bear full rights, as no restrictions on the exercise of the voting rights or property rights attaching to the Shares are envisaged.

**4.15. If the shares are not traded on regulated markets, all information that will help to fully assess the value that can be assigned to them**

Not applicable.

**4.16. Number of financial instruments underlying each option**

Not applicable.

**4.17. Option expiry**

Not applicable.

**4.18. Method (American/European), timing (e.g. exercise periods) and exercise clauses (e.g. knock-in and knock-out clauses)**

Not applicable.

**4.19. The price for the exercise of the option or method and criteria for its determination, with specific regard to:**

- a) the formula for calculating the exercise price in relation to a given market price (the "fair market value") (e.g. exercise price equal to 90%, 100% or 110% of market price) and
- b) the method used to determine the market price taken as reference for the determination of the exercise price (e.g. last price of the day prior to grant, daily average, average for the last 30 days, etc.)

Not applicable.

**4.20. If the exercise price is not the same as the market price determined as specified in section 4.19.b ("fair market value"), state the reasons for the difference**

Not applicable.

**4.21. Criteria upon which the different exercise prices for the various persons or categories of participants is determined**

Not applicable.

**4.22. If the financial instruments underlying the options are not traded on regulated markets, indication of the value that can be assigned to the underlying instruments or criteria used to determine said value**

Not applicable.

**4.23. Criteria for adjustments required following extraordinary capital operations and other operations entailing a change in the number of underlying instruments (capital increases, extraordinary dividends, groupings and splitting of the underlying shares, mergers and spin-offs, conversions into other share categories, etc.)**

Not applicable.

#### **4.24. Attachment**

The Table attached to this Disclosure Document reports the information required under Section 2, Box 1, of the Table under Scheme 7 of attachment 3A to the Issuers Regulation, on the basis of the features already defined by the Company's Board of Directors. Additional information will be provided in accordance with the procedures provided for under Article 84-bis, paragraph 5, of the Issuers Regulation.

LAST AND FIRST NAME OR CATEGORY	ROLE	CO-INVESTMENT PLAN - FIRST CYCLE 2015 - 2017 - AWARD FOR 2015						
		FINANCIAL INSTRUMENTS OTHER THAN STOCK OPTIONS (CONVERSION OF ANNUAL BONUS INTO SHARES)						
		SECTION 2 NEWLY AWARDED INSTRUMENTS UNDER BOARD DECISION PROPOSED FOR APPROVAL BY THE SHAREHOLDERS' MEETING						
		DATE OF SHAREHOLDERS' RESOLUTION	TYPE OF FINANCIAL INSTRUMENTS	NUMBER OF FINANCIAL INSTRUMENTS	AWARD DATE	ANY PURCHASE PRICE FOR THE INSTRUMENTS	MARKET PRICE AT AWARD DATE	VESTING PERIOD (*)
Moretti Mauro	Chief Executive Officer and General Manager of Finmeccanica S.p.a.	8/5/2015 first call 11/5/2015 second call	Shares of Finmeccanica S.p.a.	T.B.D.	T.B.D.	-	N.A.	Three years
Executives with Strategic Responsibilities	-----	8/5/2015 first call 11/5/2015 second call	Shares of Finmeccanica S.p.a.	T.B.D.	T.B.D.	-	N.A.	Three years
Other managers, employees or associates (former employees)	-----	8/5/2015 first call 11/5/2015 second call	Shares of Finmeccanica S.p.a.	T.B.D.	T.B.D.	-	N.A.	Three years

(\*) Vesting period for bonus converted into shares subject to restrictions on availability



