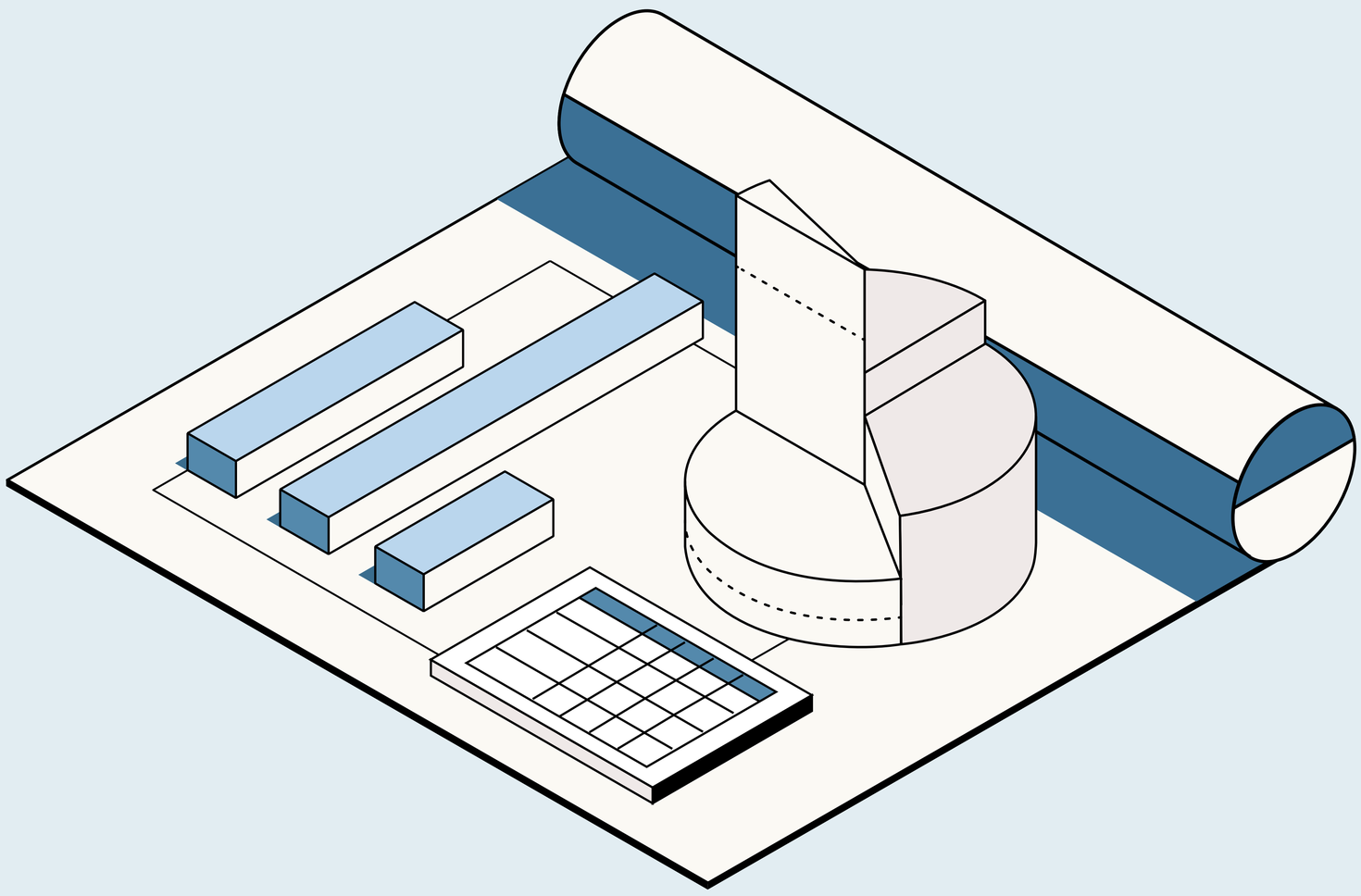
carta

The Fair Share

A charter for maximising employee equity



Written by Carta and our partners at Orrick,
Phoenix Court, Point Nine and Seedcamp

The Fair Share is a set of principles and operational recommendations for managing employee equity. Anyone with a vested interest in employee equity should find value in this charter. Founders, Execs, General Counsels, People & Talent leaders, Advisors, VCs - leverage this framework to guide your equity strategy.

This charter is the result of passionate discussion and debate between Carta and our partners who chose to join us on this mission: Orrick, Phoenix Court, Point Nine Capital and Seedcamp. We are honoured and grateful for their contribution, dedication and courage in supporting this initiative.

DISCLAIMER: This publication contains general information only and eShares, Inc. DBA Carta, Inc. ("Carta") is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services nor should it be used as a basis for any decision or action that may affect your business or interests. Before making any decision or taking any action that may affect your business or interests, you should consult a qualified professional advisor. This communication is not intended as a recommendation, offer or solicitation for the purchase or sale of any security. Carta does not assume any liability for reliance on the information provided herein.

©2025 Carta. All rights reserved. Reproduction prohibited.

carta

Updated March 2025

The Fair Share

1 Communicate that equity value can go up and down →

2 Take a data-driven approach to equity from day one →

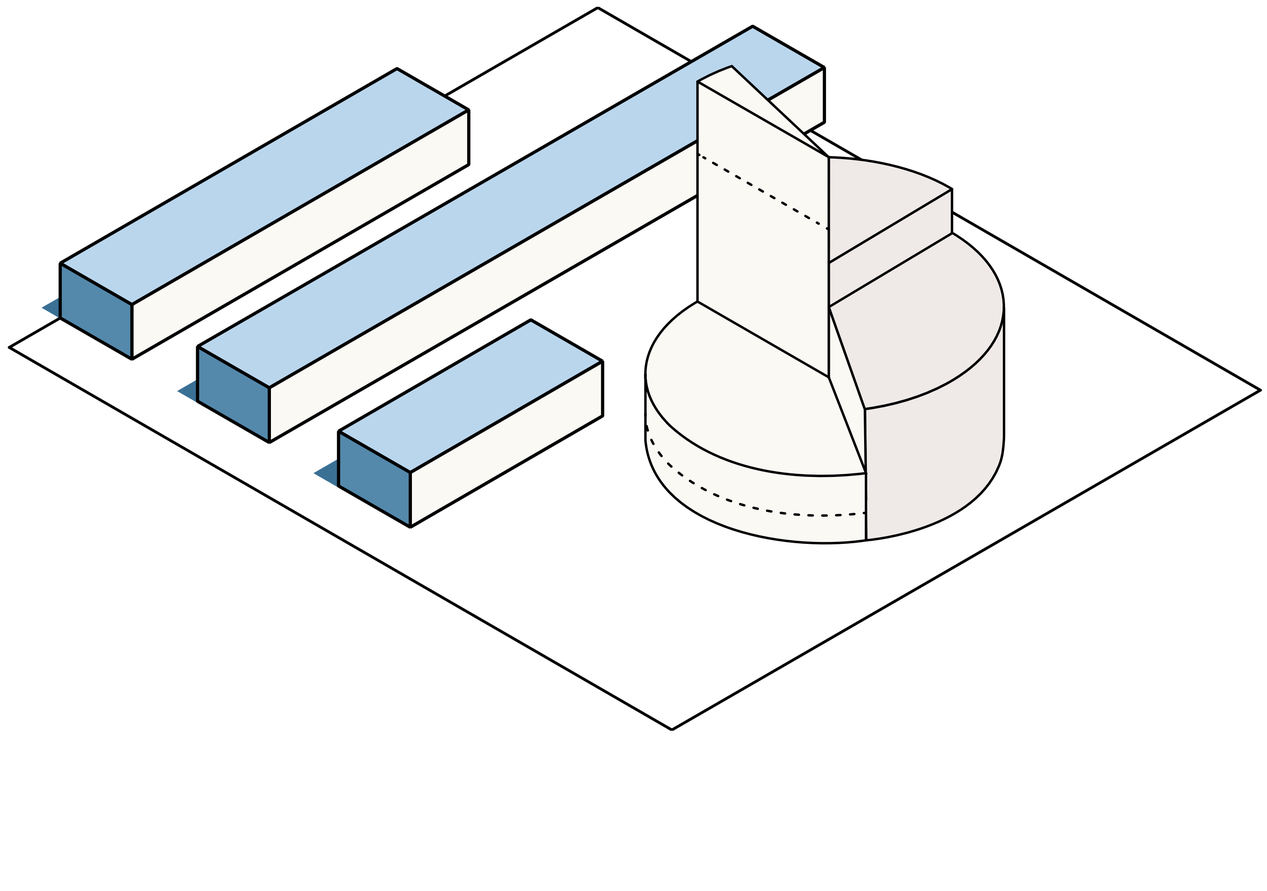
3 Award market-winning equity, wherever you hire →

4 Regularly refresh equity for top-performing employees →

5 Default to ‘good leaver’ status →

6 Make employee equity a board-level concern →

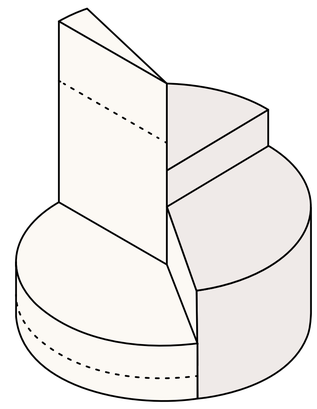
7 Pair equity for all with a high-performance culture →



carta

1

Communicate that equity value can go up and down



Employees should have a full understanding of their equity – both its advantages and risks. This protects your company while maximising equity's power as an employee incentive.

Do	Don't
Clear, upfront explanation of risks and rewards	Focus only on potential upside, ignoring risks
Transparency around details e.g. strike price, dilution	Vague terms like '% of company' without context
Regular equity Q&A sessions with employees	One-time communication on equity

Recommendation:

- At a minimum, communicate as part of grant offer:
  - Security type (e.g.share options, warrants)
  - Variables affecting equity value, both fixed (e.g. strike price) and unfixed (e.g. dilution)
  - Expected financial outlays (e.g. exercise costs, taxation) and timelines (i.e. exercise window)
  - Equity value in monetary terms, not ownership percentage
- Maintain an employee equity FAQ
- Work with your lawyers to hold a Q&A session with every grant cycle
- Provide tax support to your employees if you cannot give advice on the tax treatment of their equity

carta

2

Take a data-driven approach to equity from day one

Early-stage companies often make equity decisions based on intuition, but with today's market data, that's no longer necessary. From day one, startups should use data to structure equity grants, ensuring fairness, transparency and long-term scalability for hiring and retaining top talent.

You should aim to be fair but smart. What does that mean?

Fair means using data, like market benchmarks or salary multipliers, to guide grant sizes, avoiding arbitrary decisions, unconscious biases and unnecessary negotiations.

Smart means going beyond fairness to align equity with individual impact, retention risks and market realities. While fairness ensures consistency, smart equity allocation allows for exceptions and high-performers, and is critical for retaining talent in a fast-paced startup.

Do	Don't
Use market benchmarks and salary multipliers	Grant equity based on gut feeling or anecdotal advice
Build scalable frameworks for consistency	Size grants on an ad hoc basis with no long-term plan
Adjust equity strategy as the team grows	Rely on outdated data as the company scales

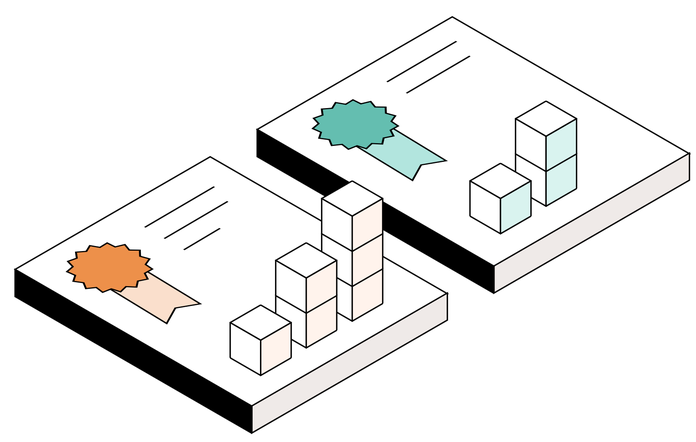
Recommendation:

- Enlist experts early, either by hiring a talent professional or outsourcing support to a provider who can help build your equity award framework
- Use market data for equity grants from your first hire up to 20 employees
- After 20 employees, implement an equity granting framework for both hiring and retention
    - Use salary multipliers by role and seniority, and regularly refresh the underlying data

carta

3

Award market winning equity, wherever you hire



There are two factors that make employee equity market-winning

These are:

1. The amount of equity you issue (gross value)
2. The tax optimisation of the equity plan (net value)

Both must be considered when hiring internationally, and a localised approach can be the deciding factor in securing top talent over your competitors.

Do	Don’t
Localise equity plans for optimal tax benefits	Apply a one-size-fits-all approach globally
Adjust awards to reflect differences in regional valuations	Ignore discrepancies in regional valuations
Review both gross and net equity outcomes	Only consider the headline grant size

Recommendation:

- At the gross level, award equity to employees according to your framework. Then structure your equity plan locally to optimise the tax and maximise the net outcome for employees.
- Standardise strike price practices but account for regional discrepancies in valuation.
    - For example, US valuations often exceed UK ones, which can be offset by awarding a larger number of shares to US employees to balance value.

carta

4

Regularly refresh equity for top-performing employees

Existing employees can build significant equity value through vesting and company valuation increases. Does that mean they should be excluded from future grants?

No. Equity isn’t just for attracting talent; it’s crucial for retention. If an employee sees full vesting on the horizon, their incentive to stay at the company drops. Smart companies keep top performers engaged with ongoing ownership incentives.

Just as salaries are reassessed based on an employee’s market value, equity should be too. Even if employees have accrued substantial value, continued grants keep them motivated to drive company success.

Do	Don’t
Offer equity refreshers tied to performance	Issue one-time grants with no ongoing incentive
Use retention grants to keep top talent	Ignore equity top-ups for star performers
Continuously review market value for key staff	Let employees fully vest with no re-assessment

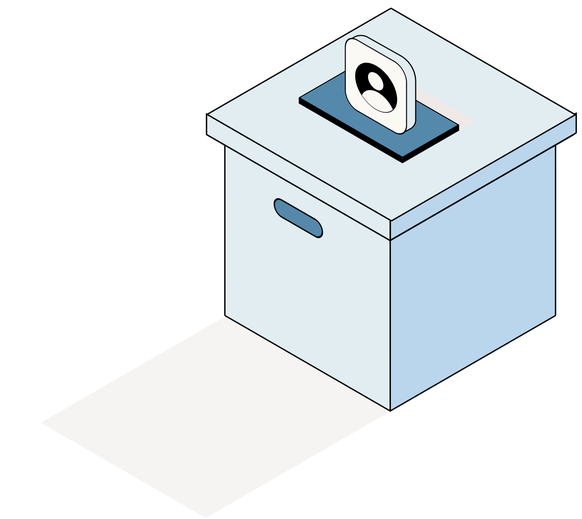
Recommendation:

- Link performance reviews to top-up grants
- Make all employees eligible for annual or bi-annual equity refreshes
- Budget retention grants from day one to reward top talent
- Ensure high performers are always vesting with equity refresh grants

carta

5

Default to ‘good leaver’ status



When it comes to departing employees’ equity treatment, the simpler the better. Leaver provisions should be absolutely clear to all parties, and the more leaver categories you create, the more room there is for interpretation – and dispute. Clear leaver provisions create transparency for employees and reduce admin for the company.

Do	Don’t
Define good and bad leaver as simply as possible	Cause confusion with complex leaver categories
Reserve bad leaver status for gross misconduct	Use bad leaver for minor infractions
Allow board discretion for edge cases	Apply rigid rules with no room for judgment
Permit good leavers to keep all of their vested options	Apply exit-only vesting conditions to grants

Recommendation:

- Have only two types of leaver: good and bad
- Treat bad leavers as an exceptional designation, i.e. for gross misconduct
- Facilitate board discretion for edge cases, such as unusual leaver circumstances

carta

6

Make employee equity a board-level concern

A board’s primary duty is to increase shareholder value. The best way to create value is to develop talent density, which is directly tied to attracting and retaining talent through equity.

Therefore, it should be a board-level responsibility to agree and set a framework that enables quick, frictionless decision-making around equity awards. Employees should trust that the board manages equity fairly and transparently, reinforcing confidence in the long-term value of their grants.

Do	Don’t
Board sets clear equity principles and framework	Board micromanages individual grants
Independent rep is appointed for employee interests	No-one is responsible for employee advocacy

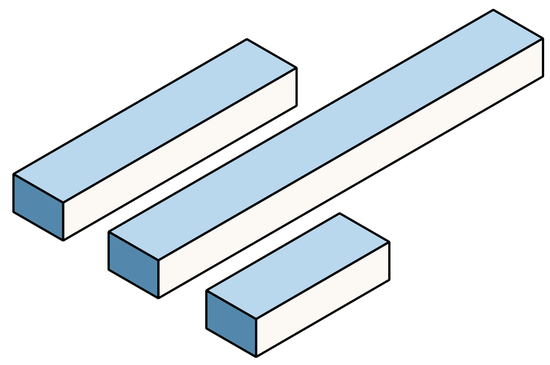
Recommendation:

- Agree upon a framework for employee equity with the board – to be implemented by senior management without board intervention
- Appoint an independent NED, chairperson or lawyer, tasked with representing the employee shareholders at board level

carta

7

Pair equity for all with a high performance culture



Equity’s incentivising power only works when the company is growing, and company growth comes from consistently high-performing employees. Without meaningful company growth, equity loses its value and impact as a motivator.

To maximise its incentive power, equity should only be issued in companies where there is a culture that fosters continuous high performance. All employees should be eligible to receive equity, in recognition of their contribution to company growth.

Do	Don’t
Grant equity to all full and part-time employees	Restrict equity to certain employees or locations
Tie equity grants to high performance	Grant equity regardless of contribution
Reward commitment with a one-year cliff	Allow short-term employees to vest without a cliff
Actively manage out underperformers pre-cliff	Retain low performers through to fully vested

Recommendation:

- Assuming all new hires will be high performers, make all full and part-time employees eligible for equity in line with a compensation framework
- Implement a one-year cliff for all equity grants
- Manage out low performers before the cliff is reached, ensuring only high performers complete their first year

carta

Acknowlegements

The Fair Share would not have been possible without the contributions of:

Carta:

Christian Gabriel
Greg Carter
Scarlett Pierce
Nicholas Richards

And with thanks to our partners in this project:

Kim Goddard, Point Nine Capital
Charles Guillemet, Phoenix Court
Jamie Moore, Orrick LLP
James Wright, Seedcamp



DISCLAIMER: This publication contains general information only and eShares, Inc. DBA Carta, Inc. ("Carta") is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services nor should it be used as a basis for any decision or action that may affect your business or interests. Before making any decision or taking any action that may affect your business or interests, you should consult a qualified professional advisor. This communication is not intended as a recommendation, offer or solicitation for the purchase or sale of any security. Carta does not assume any liability for reliance on the information provided herein.

©2025 Carta. All rights reserved. Reproduction prohibited.