

Know your SARs

Make the most of your equity compensation by learning **how stock appreciation rights work.**

What is a stock appreciation right?

A Stock Appreciation Right, or SAR, is the right given to you by your employer to receive a payment, in cash or shares, equal to the gain in the company's stock price over a period of time. SARs are valuable because you benefit from an increase in stock price without having to buy anything out of pocket.

By offering you SARs, your employer is making an investment in you. Your company has chosen UBS to help you understand your awards so that you can make more informed decisions. Learning how your SARs work and what choices you have in managing them can help you get the most out of this important benefit.

Here's an example of how SARs work:



Suppose SARs are granted with an exercise price of \$12.



Then assume one year later some vest.

If the stock price has risen to \$17:

You can exercise your SARs and receive the underlying **gain of \$5 per share** (minus taxes and fees).

Or

If the stock price has fallen to \$10:

The SARs have lost their value, but you can **wait to take action** until their expiration date in case the stock recovers.

Receiving your award

You receive your SARs on the grant date, but you can't make use of them at this time. For that you need to remain employed at your company until your SARs vest.

To preserve your opportunity to use your SARs, your company may require you to acknowledge your grant by either:



Accepting your grant online

Or



Signing and returning the grant agreement

Find more details about your SARs on the UBS website or in your grant agreement.

When your award vests

Your award vests according to a schedule that describes the date(s) your SARs vest and how many vest on each date.

Once your SARs vest, you have until the expiration date to exercise them. It's important to make note of this date — if it falls on a day when the market is closed, you would need to exercise your SARs sooner.¹ If you leave your employer, your expiration date may change, and any unvested SARs may be cancelled. Be sure to check your grant agreement for details.

¹If the expiration date falls on a non-trading date, such as a weekend or market holiday, then your SARs must be exercised by the close of market on the last trading date prior to expiration. Upon expiration, your SARs are cancelled and can no longer be exercised. You should refer to your grant agreement for details.

What are your SARs worth?

Your SARs are potentially worth the gain in your company's share price over the exercise price. Their potential value can go up and down as your company's stock fluctuates in price. Your SARs may be worth:

$$\frac{\text{Current stock price} - \text{Exercise price}}{\text{Increase in share price}}$$



If you are receiving cash:

$$\left[\text{Increase in share price} \right] \times \left[\text{Number of SARs received} \right] = \text{Dollar value you receive}^*$$

If you are receiving shares:

$$\frac{\text{Dollar value you receive}}{\text{Current stock price}} = \text{Number of shares you receive}^*$$

*Actual proceeds will be reduced by taxes and fees.

When is the best time to exercise?

You can exercise your vested SARs at any point before their expiration date.¹ The best time to exercise depends on the details of your SARs and your personal situation. Here are a few key questions to ask when considering whether or not to exercise:

- What are your SARs worth?
- Do you think the stock will go higher?
- Do you need the money?
- What's the time to expiration?

Once you exercise your SARs, you will either receive shares or cash, depending on the terms of your award.

Key takeaways

- SARs offer you the potential opportunity to receive a payment equal to the gain in your company's stock price over a period of time.
- You receive your SARs on the grant date, and your company may require you to acknowledge your grant.
- As your SARs vest, they become available, and you may exercise them to receive shares or cash.
- Depending on your personal needs and goals, you have choices for what to do with the shares or cash you receive.
- You can find all the details on the particular terms of your SARs in your grant agreement.

Remember that exercising your SARs and trading shares create tax implications. Your tax rate varies by your country, location and income. Be sure to consult your tax advisor to learn more.

Insider trading: Know the rules



Violations of insider trading laws can result in significant penalties, so it's important to understand and follow these rules. Your company's insider trading policy may also restrict you from exercising or trading shares at certain times.

Using your grant to achieve your goals

What you do with your SARs depends on whether you receive shares or cash and on your personal needs and goals. Once you have decided to exercise your SARs, you have three main choices:

- **Keep:** You may want to hold onto your company's shares if you don't have a specific plan for how you want to use the proceeds or if you think the stock may appreciate.
- **Invest:** When planning for long-term financial goals, such as retirement or college, it may make sense to incorporate your award into your financial plan.
- **Sell:** Perhaps you have an immediate need for the funds, such as a down payment on a home or managing your debt. In that case, you may want to sell your company's shares and use the cash.

Now that you've learned the basics about your SARs, take the next step by exploring more of the UBS resources available to you. The more you know, the more confident you can feel that you're getting the most from your benefit.

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