



OFFERING STOCK PLANS IN EUROPE: A NEW OPPORTUNITY

October 9, 2018

CERTAINTY

INGENUITY

ADVANTAGE

 **Computershare**

Upcoming Events

> Webinar Series

- All Things ESPP @ www.computershare.com/allthingsespp
- All Things Equity Plans @ www.computershare.com/allthingsequityplans

> ESPP Day

- November 8, 2018, San Jose, CA
- Register or learn more at www.computershare.com/esppday

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Housekeeping

- › Presentation is being recorded
 - Email will be sent to all attendees with link to recording and presentation
- › Presentation qualifies for CEP credit
- › Please take our survey!



Today's Speakers



Carla Walsham - Managing Associate

Carla advises global companies and financial services clients and has broad experience in advising on all aspects of executive and employee incentives matters. Carla manages Tapestry's ICSA Certificate in Employee Share Plans Qualification.



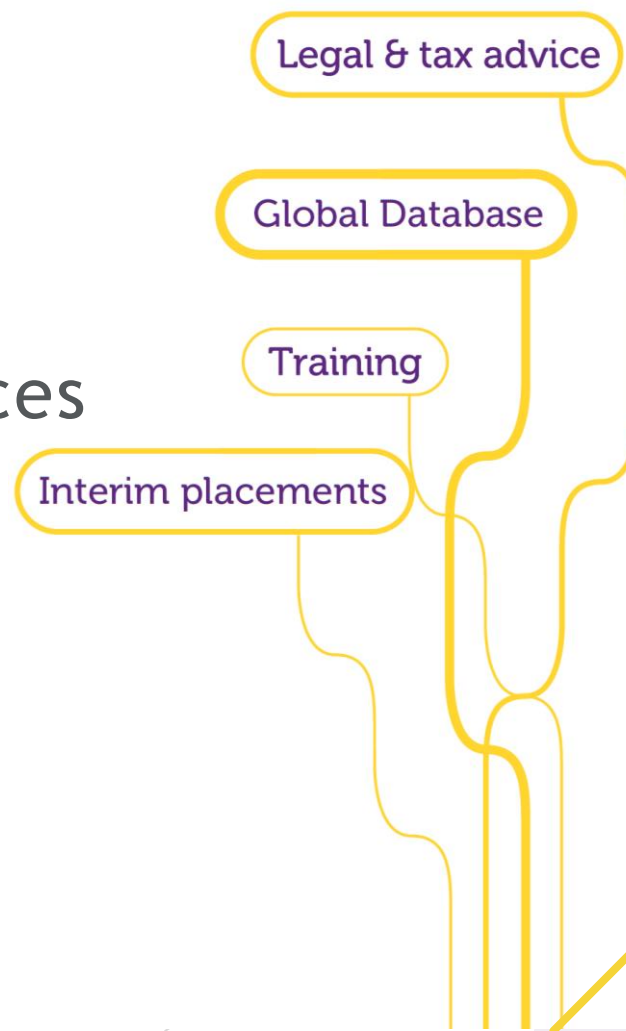
Sally Blanchflower - Managing Associate

Sally specialises in all aspects of global and UK share plans for leading global companies and banks, including advising on global due diligence and securities filings, share plan design and drafting plan documents. Sally also co-manages the OnTap database for legal and tax compliance.



About Tapestry

- ▶ Boutique law firm
- ▶ Global
- ▶ Advice 'On Tap'
- ▶ Range of share plan related services
- ▶ Market leading
- ▶ Multi-award winning





About Tapestry

- ▶ Tapestry awarded Queen's Award
- ▶ Legal 500 2017 - Tier 1 for employee share schemes
- ▶ Chambers 2018 - Band 1 for employee share schemes





What we will cover today:

- ▶ EU update - European Prospectus Regulation
- ▶ Rolling out global stock purchase plans in Europe
- ▶ Going local - tax advantaged plans in Europe
- ▶ UK SIP : social security savings

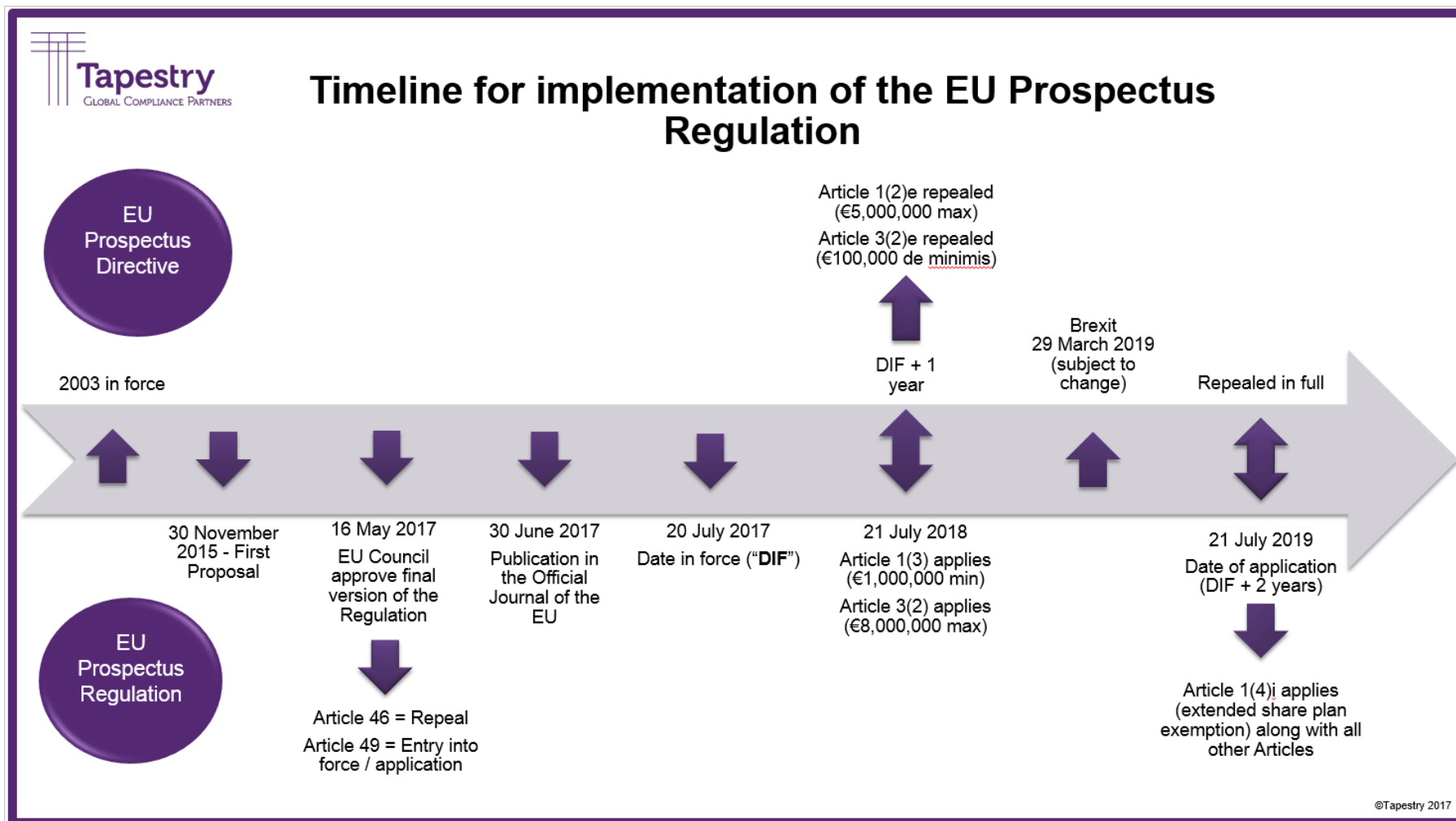


Securities laws: EUPR/EUPD

- ▶ European Prospectus Directive (EUPD) - current rules
 - Prospectus required unless exemption applies
 - Inconsistent implementation between member states
 - Employee share scheme exemption only available if listed or HQ in EU
- ▶ European Prospectus Regulation (EUPR) - new rules
 - Entered into force July 2017
 - Applies in full July 2019
 - Employee share scheme exemption available irrespective of listing or HQ



EUPR - Timeline





EUPR/EUPD - Changing exemptions

- ▶ Exemption from entire prospectus rules:
 - Previously total offer value < €5m within EU over 12 months
 - Decreased to < €1m under EUPR from 21 July 2018
- ▶ Exemption from obligation to publish a prospectus:
 - Previously total offer value < €100,00 within EU over 12 months
 - Member states can now set an amount up to €8m under EUPR from 21 July 2018



EUPR - Member state exemption amounts

Country	Limit
Austria	€5million
Belgium	€5/8million depending on trading facility
Croatia	€5million
Denmark	€1/8million depending on DFSA certificate
Estonia	€2.5million
Finland	€8million expected in 2019
France	€8million
Germany	€8million
Ireland	€5million
Lithuania	discussing €8million cap
Spain	€2.5million carried over from prospectus directive
UK	€8million
All other countries	€1million or not decided at present



EUPR/EUPD - Points to consider

► Member states

- Some countries have introduced €8m threshold
- Will others do the same?
- Consider which exemptions you can rely on in each state

► EUPD “legacy”

- Some countries adopted EUPD e.g. EEA countries
- Norway not adopting EUPR at present - 2019?
“Old limits” apply for now...



Rolling out a global stock purchase plan in Europe

- ▶ Now much more cost effective
- ▶ No need for a prospectus
- ▶ Simple statement needed in employee communications





Elements of a purchase plan

- ▶ Savings
- ▶ Purchase
- ▶ Match
- ▶ Free shares
- ▶ Option



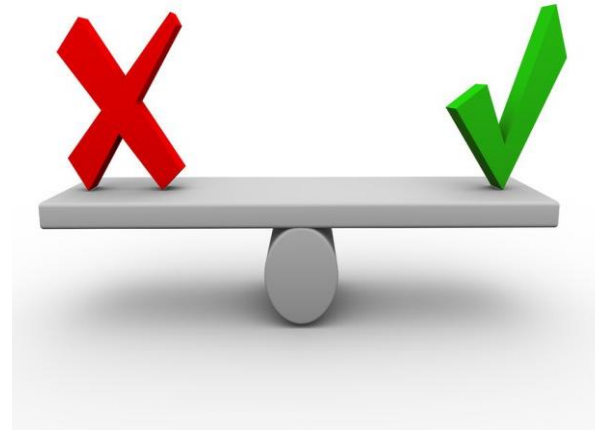
What is a tax-advantaged plan?

- ▶ Tax qualified / Tax approved / Tax favoured
- ▶ Special rules = special tax treatment
- ▶ For employee and employer
- ▶ Political support
- ▶ Start ups and established companies
- ▶ All-employee and/or discretionary



What are the pro's?

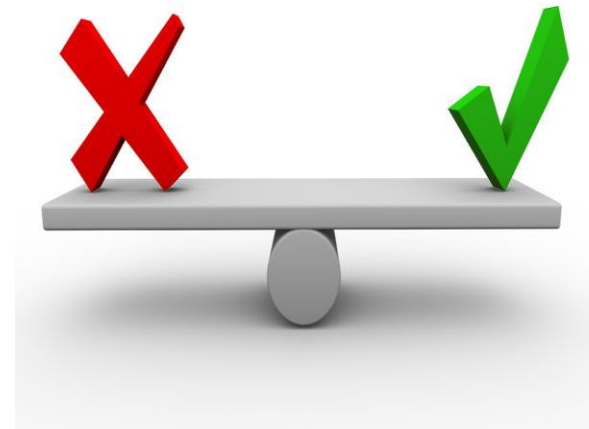
- ▶ Significant tax savings for employee/employer
- ▶ Incentive effect
- ▶ Better value
- ▶ Better local engagement
- ▶ Competitive locally





What are the con's?

- ▶ Special process for one country
- ▶ Administration and future compliance
- ▶ Set-up costs
- ▶ Mobile workers
- ▶ Local support
- ▶ Corporate transactions





Which EU countries have them?

- ▶ Denmark
- ▶ France
- ▶ Hungary
- ▶ Ireland
- ▶ Slovenia
- ▶ Sweden
- ▶ UK

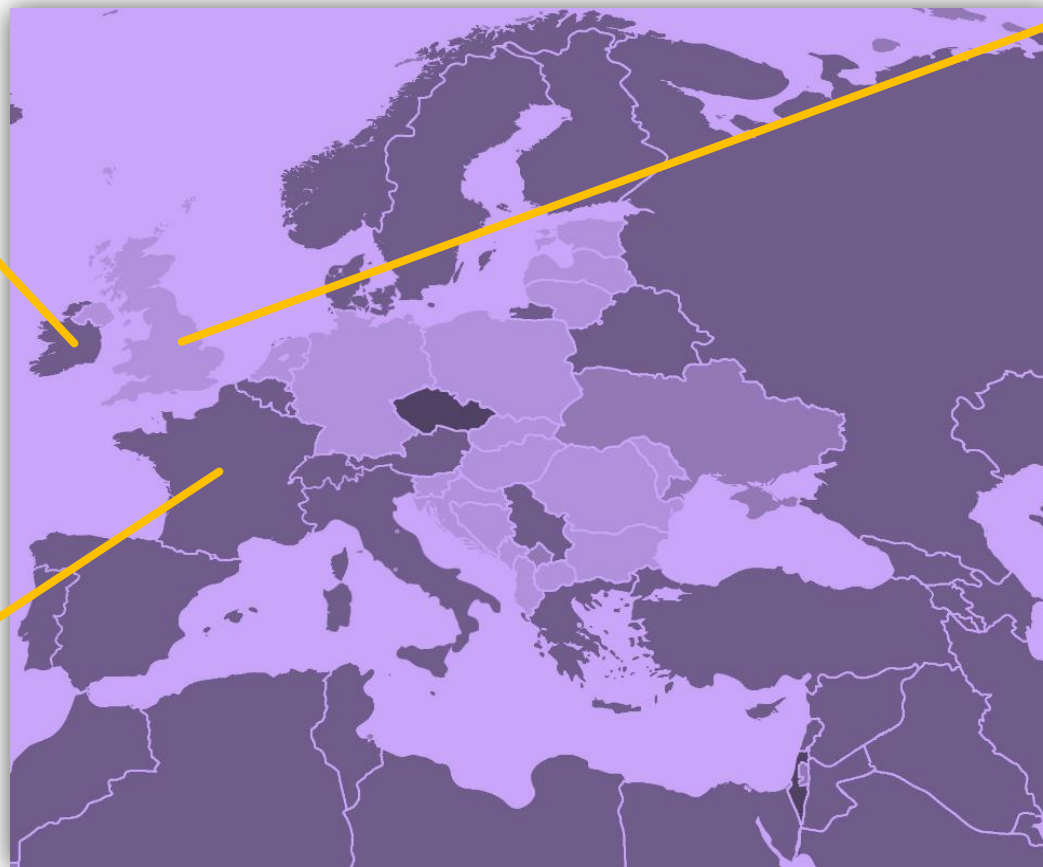




Most popular ones in Europe

Ireland

- All employee: APSS, SAYE
- Very similar to UK



France

- RSUs and Options
- Complex requirements

UK

- All employee: SIP, SAYE
- Discretionary: CSOP, EMI



Ireland

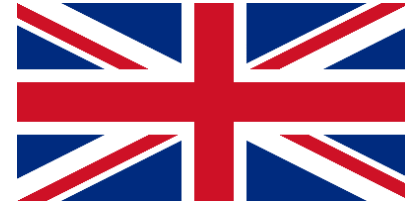
► APSS

- All employees
- Free shares up to €12,700 or matching shares for each share purchased by employee
- 3 years in Irish trust
- No income tax (although some social security charges arise)

► Options

- All employees
- Save max. €500 per month for 3, 5 or 7 years; option with up to 25% discount on market value
- Exercise option using savings or get savings back
- No income tax but social security at exercise





UK

SIP	SAYE	CSOP	EMI
All employee		Discretionary	
Restricted share awards: <ul style="list-style-type: none"> Partnership shares purchased from gross salary Matching shares Free shares Dividend shares <p>UK trustee holds shares (3 to 5 years for best tax treatment)</p>	Options: <p>Exercise price up to 20% discount from FMV; monthly deductions (net salary) up to £500 for 3 or 5 years</p>	Options: <p>Max value £30,000</p>	Options: <p>For smaller companies</p>

Tax: If all conditions met, no income tax or social security on grant, vesting or exercise. SIP can be CGT free. Lower CGT available for EMI



Employer NIC savings

National Insurance - Employer Contribution Saving Model			
A	Estimated Participants		12,250
B	Estimated Average Monthly Subscription		£60.00
C	Employers' NI Rate		13.8%
D	Gross NI Saving ($A*B*12*C$)		£1,217,160
E	Estimated share growth factor before sale	10%	
F	Total Leavers in first 3 years	30%	3,675
G	Annual average participant saving ($B*12$)		£720
H	Bad leavers' average time in plan (months)	18	1.5
I	Average individual leaver saving ($G*H$)		£1,080
J	Average total leaver saving ($F*I$)		£3,969,000
K	Average total leaver saving at current market value ($J* (1+E)$)		£4,365,900
L	Estimate NI clawback over period ($K*C$)		£602,494
M	Estimate NI clawback per annum ($L/3$)		£200,831
N	Net annual saving ($D-M$)		£1,016,329

- Based on 35,000 eligible employees, 35% take up with an average saving of £60 savings per month



Potential yearly employee income tax and NIC savings - examples

		20% Tax payer		40% Tax payer		45% Tax payer	
Monthly Contribution	Gross annual contributions	Tax and NIC saving	Net Annual Contributions	Tax and NIC saving	Net Annual Contributions	Tax and NIC saving	Net Annual Contributions
£10.00	£120.00	£38.40	£81.60	£50.40	£69.60	£56.40	£63.60
£60.00	£720.00	£230.40	£489.60	£302.40	£417.60	£338.40	£381.60
£150.00	£1,800.00	£576.00	£1,224.00	£756.00	£1,044.00	£846.00	£954.00



Global Plans in Europe

- ▶ If you do not offer your plans in Europe - review now
- ▶ If you do offer your plans - review if you can increase the limits
- ▶ Consider offering a tax advantaged plan
- ▶ Computershare used to operating plans in Europe

**Prospectus not
required from July
2019 - start getting
approvals now**



Questions



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www.info@tapestrycompliance.com



Upcoming Tapestry webinars...



- ▶ **Topic:**
Global Update
- ▶ **We will cover:**
 - ▶ Key developments globally
 - ▶ Corporate Governance
 - ▶ China SAFE
 - ▶ EUPR
- ▶ **When:**
16 October 2018 at 4pm (UK)
19 October 2018: 11am (Hong Kong); 12pm (Tokyo); 1pm (Sydney)
- ▶ **Topic:**
UK FTSE 100 reports
- ▶ **We will cover:**
 - ▶ Gender targets
 - ▶ Post-vesting holding
 - ▶ Malus and clawback
- ▶ **When:**
17 October 2018 at 4pm (UK)



Thank you



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