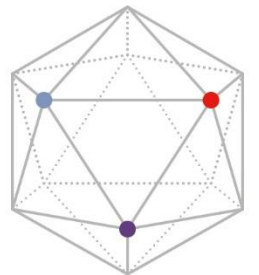


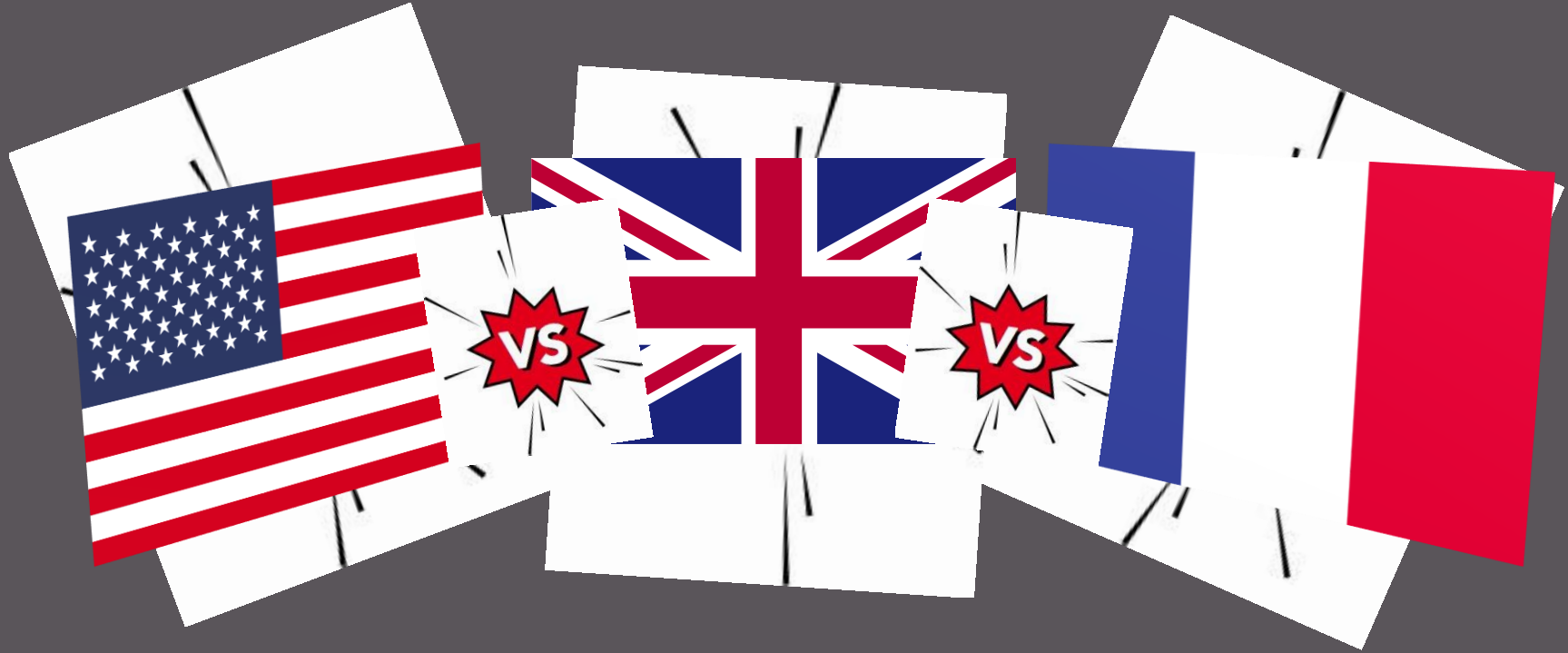


EQ

Employee Services Forum 2018



THE GLOBAL FACE-OFF - US v UK v FRANCE



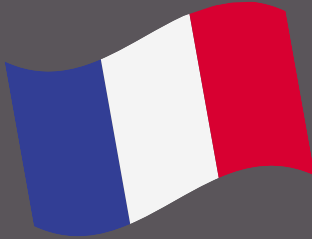
Bill Cohen

Deloitte



Graham Bull

Equiniti

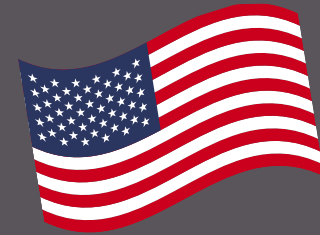


Sami Toutounji

Shearman

Phil Ainsley

Equiniti





UK ALL EMPLOYEE SHARE PLANS

SIMPLY THE BEST

SHARESAVE (SAYE)

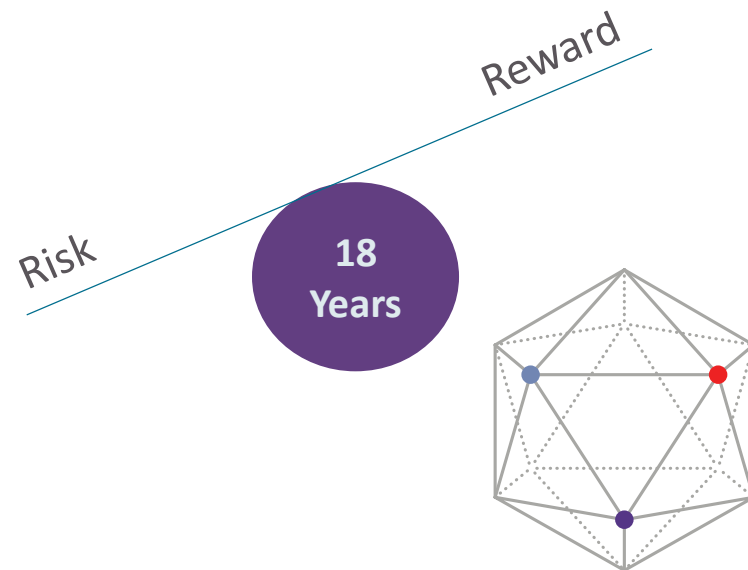
- Heads you **WIN**
- Tails you **DON'T LOSE**



38
Years

Share Incentive Plan (SIP)

- **LOW** Risk
- **BIG** Rewards



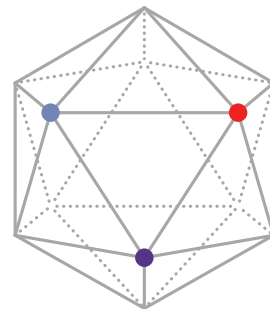


SHARESAVE/SAYE

HEADS YOU WIN - TAILS YOU DON'T LOSE

- Make money or your savings back
- Option and savings based plan
- Option discount up to 20% of market value
- 3 or 5 year savings contract
- Minimum £5 a month up to a maximum of £500 a month
- Good Leaver status allows you to exercise
- No income tax liability at exercise, though may be capital gains tax (allowance is £11,700)

Share price	↓	20% = Money back
		0% = 25% return
	↑	30% = 62% return
	↑	60% = 100% return
	↑	100% = 150% return





SHARE INCENTIVE PLAN/SIP

LOW RISK – BIG REWARDS

4 types of plan shares:

- **Free shares** – up to £3,600, minimum 3 year holding period, shares sold before they have been held for 5 years may be subject to income tax
- **Partnership shares** – up to £1,800 of shares bought from pre-tax earnings, shares purchased either monthly or end on an accumulation period, shares sold before they have been held for 5 years may be subject to income tax
- **Matching shares** – up to 2 Free shares for each Partnership share, minimum 3 year holding period, shares sold before they have been held for 5 years may be subject to income tax
- **Dividend shares** – can be reinvested, 3 year holding period
- Shares held in trust
- Share gains free from capital gains tax whilst in the plan

	Outlay	Flat return
FREE	-	£3,600
P'Ship (B/Rate)	£1,224	£1,800
Match 1:1	-	£1,800
Total	£1,224	£7,200 pa (no Div)





EMPLOYEE STOCK PURCHASE PLANS

FRANCE

France has a long record of encouraging employee shareholding:

- Stands alongside the UK and US as international leaders in the field
- Generous financial incentives and tax breaks
- A leader in financial innovation
- Successfully offered to employees around the world (120+ countries)

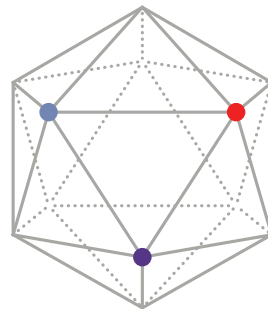




INVESTING

WHERE DO EMPLOYEES GET THE CASH?

- Voluntary employee contributions, up to 25% of annual compensation
- Profit sharing (« interressement » and « participation »), invested free of taxes and charges
- Accrued overtime (« compte épargne temps »)
- Employer matching contribution
- Employer and bank financing

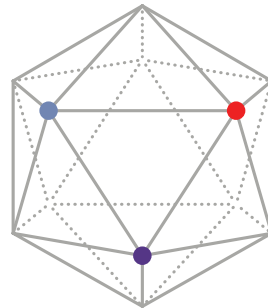




INCENTIVES

WHAT CAN THE EMPLOYER PUT IN?

- Discount on share purchase price (up to 20% or 30%)
 - no cap
 - exempt from employer and employee taxes and charges
- Employer matching contribution
 - up to €5,700 (in ESPP) or €3,200 (non-ESPP)
 - subject to 20% employer social charge, 9% employee social charge
- « Democratic » (all employee) free share grants

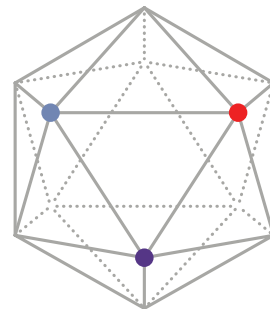




INVESTMENTS

WHAT MAY BE OFFERED?

- Mutual funds (mandatory to have these for France)
- Company stock (direct shares or in a dedicated « FCPE » fund)
- Stock option exercise
- « Leveraged » company stock fund:
 - Bank financing (typically 9 times the employee's investment)
 - Guarantee of the employee's investment amount
 - Guaranteed annual return (typically 2% to 4% per year)
 - Gains based on average price over the investment period
 - Gains calculated on a multiple of the employee investment (typically 5 to 15 times)

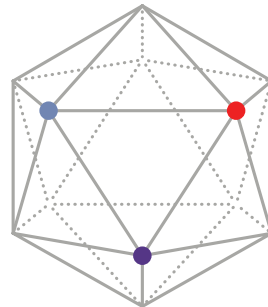




INVESTMENT

WHAT IS THE INVESTMENT TERM?

- 4.5 to 5 years
- Nine early exit cases (including marriage, child birth (3+), home purchase, end of employment relationship, business start-up, bankruptcy, divorce, disability, death)
- No forfeiture of incentives or tax benefits on early exit

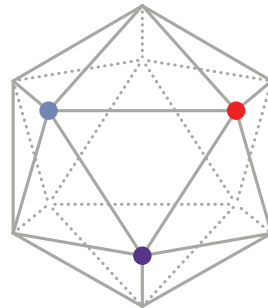




TAX AND SOCIAL CHARGES

HOW MUCH DOES THE GOVERNMENT GET AT THE END?

- Capital gains are exempt from employee income tax
- Capital gains are subject to employee social charges (17% of which 7% tax deductible)
- No employer social charges





EXAMPLE OF A « LEVERAGED » COMPANY STOCK FUND

Purchase of shares with a value of €10,000:

Employee pays :	€800	
Bank pays :	€7,200	No employer or employee tax or charges
Employer contributes (20% discount) :	€2,000	No employer or employee tax or charges

At exit, stock price has dropped (negative scenario)

Employee gets :	€800 (full return)	No employee tax or charges
Bank gets :	Any remaining shares	
Employer pays :	Nothing	

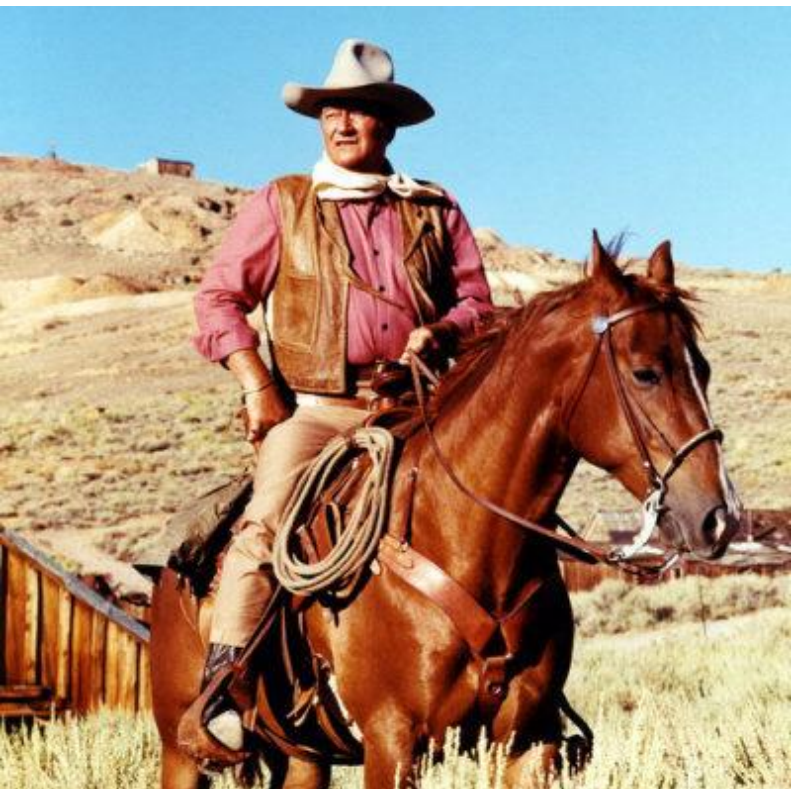
At exit, stock price has doubled over the investment period (five year average gain, assuming « multiple » of 10)

Employee gets :	€800 (full return) <u>plus</u> €10,000 of gain	Employee pays charges of €1,700
Bank gets :	Any remaining shares	
Employer pays :	Nothing	

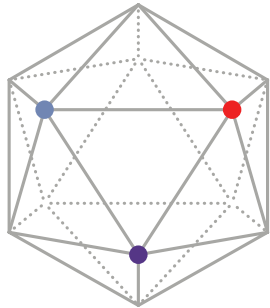


EMPLOYEE STOCK PURCHASE PLANS

USA



- The Daddy of 'em all!
- USA - the inventor of all-employee share plans - long record of encouraging employee shareholding
- Proctor & Gamble in the late 19th Century – linked to providing pensions through company stock became the origins of close ties between ESPP & 401k retirement plans
- There are a number of different broad based plans in use such as the ISO & S3 plans but the focus is on those that follow S423 of the IRC rules





S423B EMPLOYEE STOCK PURCHASE PLAN FEATURES

E S P P	423b (tax qualified)
Plan rules	Formal registration with SEC and adoption of plan rules required
Participation	Employees only (unlike S3 or bank sponsored plans)
Offering periods = Enrolment	Monthly, quarterly, semi-annual, annual, 27 months
Min/max contributions	\$5 - \$25,000 of value purchased in a calendar year
Changes & withdrawals	Some limits may apply
Purchase date	Last day of offering period
Share source	New Issue & Treasury shares
Discounts	Max 15% - which ¾ of companies offer
Look back pricing	60% of companies allow this



E S P P	423b (tax qualified)
\$25,000 value limit	Annual value limit of shares purchased in the calendar year
Share maximum limit	Specified by the company
Restrictions	Some have minimum holding periods such as 3 months or 1 year
Optional cash	Not common (C5%) but can be very beneficial!
Dividend reinvestment	Typically full DRIP
Sales & transfers	Some restrictions may apply
Tax position	'Disqualified Disposition' & Qualified Disposition
Payroll reporting	W2 report at time of 1 st legal transfer or sale
Company reporting	6039 & 3922 at time of 1 st legal transfer or sale



S423B EMPLOYEE STOCK PLANS – LIMITS & TAX BENEFITS

\$25,000 limit valued on the 1st day of each offering period and applies to deductions in a calendar year, although any shortfall in an offering period that spans calendar years can be carried over

Example sale with 6 monthly investments

2016		2017	
1/1 - 6/30	7/1 - 12/31	1/1 - 6/30	7/1 - 12/31
offering period	offering period	offering period	offering period
At least... 2 years from the 1 st day of the offering period			
& 1 year from the date of purchase			

Disposition reporting

Disqualifying disposition (DD)

Qualified disposition (QD)

Compensation benefit

Close price on day of purchase
minus
Actual price paid for shares

Lesser of: Close price on 1st day of offering period
minus
85% of such close price
OR
Close price on day of sale
minus
Actual price paid for shares



DD sale (12/28/17 \$20)
\$13
- \$8.50
\$4.50



QD sale (1/4/18 \$20)
\$10
- \$8.50
\$1.50

OR

First day of offering period

- 1/1/16
- \$10

Last day of offering period

- 6/30/16
- \$13

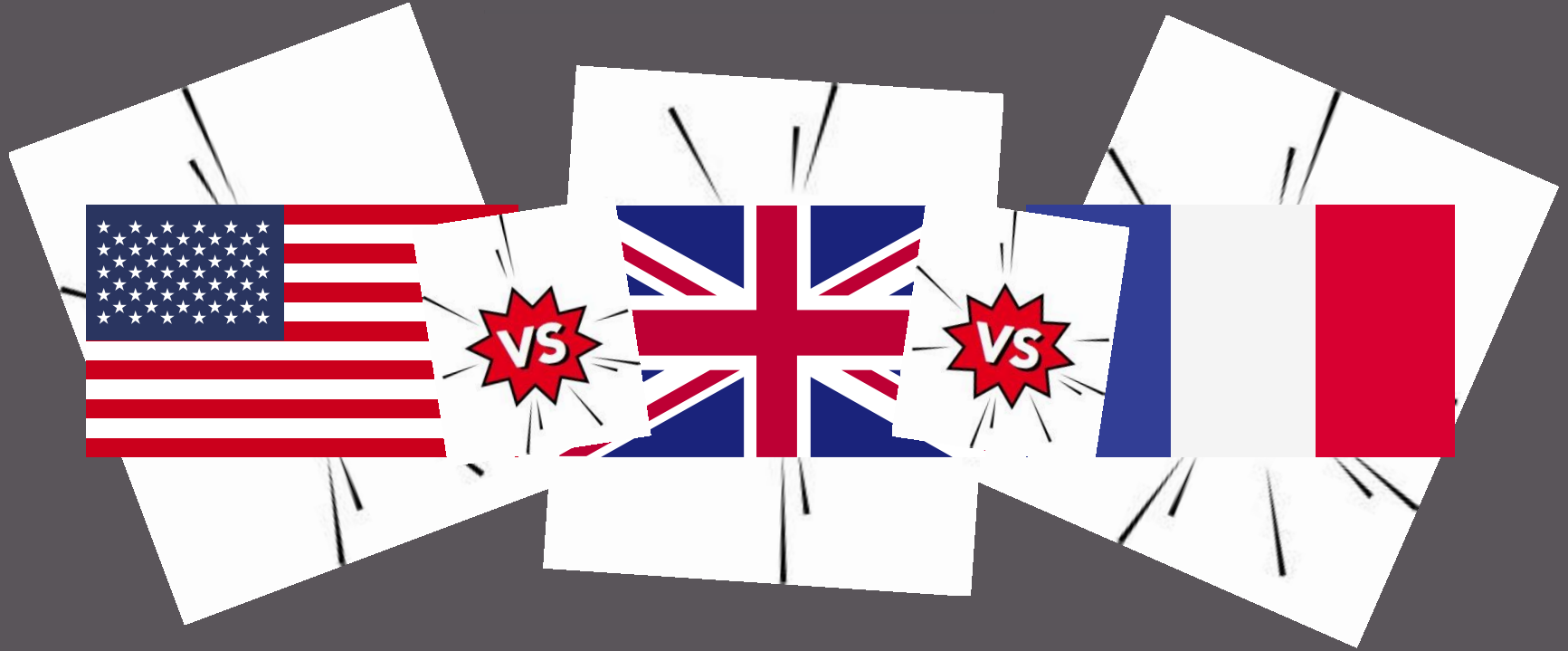
Actual price paid for shares

- 6/30/16
- \$8.50

Share price at sale \$20

\$20
- \$8.50
\$11.50

QUESTIONS



THE WINNER IS?

