OFFERING STOCK PLANS IN EUROPE: A NEW OPPORTUNITY

October 9, 2018
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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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

Offering stock plans in Europe: A new opportunity
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
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**EUPR - Timeline**

**EU Prospectus Directive**
- 2003 in force

**EU Prospectus Regulation**
- 30 November 2016 - First Proposal
- 16 May 2017 - EU Council approve final version of the Regulation
- 30 June 2017 - Publication in the Official Journal of the EU
- 20 July 2017 - Date in force ("DIF")
- 21 July 2018 - Article 1(3) applies (£1,000,000 min)
- 21 July 2018 - Article 3(2) applies (£8,000,000 max)
- 21 July 2019 - Date of application (DIF + 2 years)
- Article 1(4) applies (extended share plan exemption) along with all other Articles

**Timeline for implementation of the EU Prospectus Regulation**
- Article 1(2)e repealed (£5,000,000 max)
- Article 3(2)e repealed (£100,000 de minimis)
- Brexit 29 March 2019 (subject to change)
- Repealed in full

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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
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**EUPR - Member state exemption amounts**

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

Could offer existing offering in EU.  
Could offer tax advantaged purchase plan in EU.  
Could offer a new purchase plan in EU.
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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

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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
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Most popular ones in Europe

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

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

France
- RSUs and Options
- Complex requirements
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

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## UK

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#### Restricted share awards:
- Partnership shares purchased from gross salary
- Matching shares
- Free shares
- Dividend shares

UK trustee holds shares (3 to 5 years for best tax treatment)

#### Options:
- Exercise price up to 20% discount from FMV; monthly deductions (net salary) up to £500 for 3 or 5 years

#### 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

### Table

<table>
<thead>
<tr>
<th></th>
<th>SIP (All employee)</th>
<th>SAYE (Discretionary)</th>
<th>CSOP (Options: Max value £30,000)</th>
<th>EMI (Options: For smaller companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SIP</strong></td>
<td>Partnership shares purchased from gross salary</td>
<td>Options: Exercise price up to 20% discount from FMV; monthly deductions (net salary) up to £500 for 3 or 5 years</td>
<td>Options: Max value £30,000</td>
<td>Options: For smaller companies</td>
</tr>
<tr>
<td><strong>SAYE</strong></td>
<td>Matching shares</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>CSOP</strong></td>
<td>Free shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EMI</strong></td>
<td>Dividend shares</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Employer NIC savings

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

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

<table>
<thead>
<tr>
<th>Monthly Contribution</th>
<th>Gross annual contributions</th>
<th>20% Tax payer</th>
<th>40% Tax payer</th>
<th>45% Tax payer</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Tax and NIC saving</td>
<td>Net Annual Contributions</td>
<td>Tax and NIC saving</td>
<td>Net Annual Contributions</td>
</tr>
<tr>
<td>£10.00</td>
<td>£120.00</td>
<td>£38.40</td>
<td>£81.60</td>
<td>£50.40</td>
</tr>
<tr>
<td>£60.00</td>
<td>£720.00</td>
<td>£230.40</td>
<td>£489.60</td>
<td>£302.40</td>
</tr>
<tr>
<td>£150.00</td>
<td>£1,800.00</td>
<td>£576.00</td>
<td>£1,224.00</td>
<td>£756.00</td>
</tr>
</tbody>
</table>

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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
If you would like to join the Tapestry mailing list for our global and financial updates, please do let us know.

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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