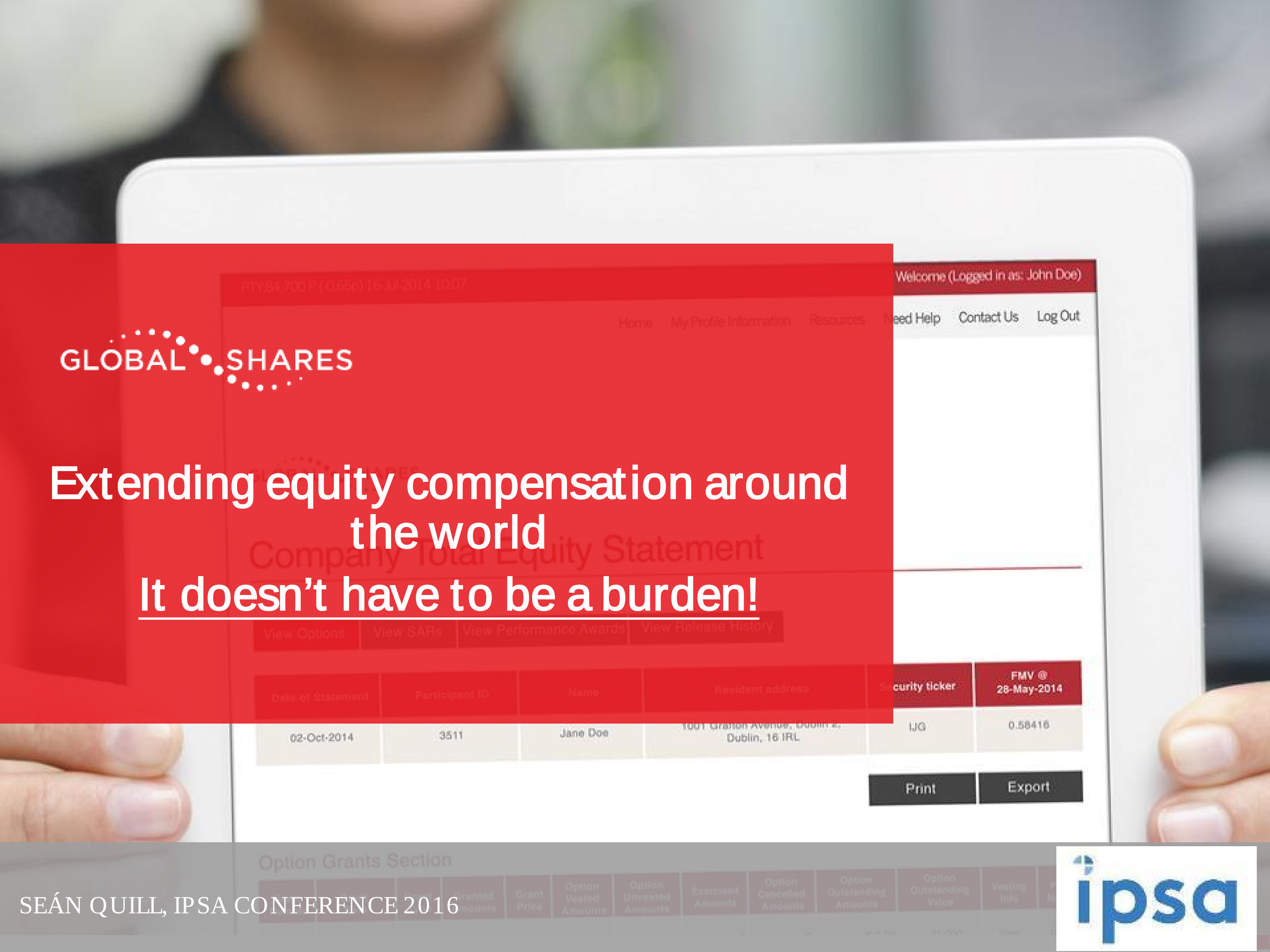

GLOBAL SHARES

Extending equity compensation around the world

It doesn’t have to be a burden!

SEÁN QUILL, IPSA CONFERENCE 2016

ipsa

GLOBAL SHARES

- Global Shares was founded in 2005
- Employee owned
- One-stop shop for consultancy, software, share plan administration services and trading

GLOBAL SHARES
The Ultimate Equity Software

What we have seen over the last few years…

The popularity of equity incentives and their global growth

More companies introducing new and extending existing equity incentives to staff around the world.

This year at Global Shares, we have been involved in delivering share plans in over 100 countries for companies based in South America, North America, Europe, Asia and Australia.

The popularity of equity incentives and their global growth

Discretionary plans continue being extended within companies

More all employee plans being established and extended – and of these - they are nearly always global

But does this make sense?

Surely this is counter intuitive, when there are ever increasing reasons why you shouldn't:

- Increasing and ever changing regulation
- Problematic tax and withholding issues
- Increased mobility within the workforce
- Holding shares and selling non domestic shares

So why are companies forging forward ?

So why are companies forging forward?

Positive attitude of key company stakeholders – equity incentives 'for all' better understood

CEO at a newly listed global company:

"..an equity stake for everyone….it's the one thing that will really bind us together and drive us forward…"

New CEO FTSE100 recently heard to say to Snr Management team:

"..so we offer an all employee plan to 600 of our staff… yet we have over 9,000 staff?"

So why are companies forging forward ?

The cost and aggravation of offering such equity incentives is actually **decreasing**

"It's a small world" – as your employees around the world interconnect more frequently and more effectively, they become more aware what's out there

Workforce more transient – switching from company to company creates extended awareness

Technology

Employee shareholders = more productive and engaged employees - this is now an accepted fact (see research)

Competitor effect - you need to offer attractive equity incentives to attract and retain the best talent

So why are companies forging forward ?

There are of course other reasons:

> “The company we bought had one”

> “I’m the share plan manager
> and I had one in my last place”

What are the types of All Employee Plans being offered?

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Sharesave

- Option to buy over a certain period; commonly have a min of 1yr (esp. US) up to 3yr max
- Price fixed at start – often discounted
- Grant based on monthly savings commitment x period of saving / exercise (option) price

ESPP

- Share purchase; typically monthly contribution and purchase
- Generally a matching element
- Often Matching Shares are 'added' on first anniversary, with a restriction of a further one to two years

Majority have been share purchase based – Why?

1. Perceived **difficulty** of options/savings based plans v **ease** of share purchase

2. **Understanding**

3. Historically options have **not delivered** (i.e. therefore no shareholder mentality or wealth creation delivered)

4. **Feedback** from local businesses in certain jurisdictions (e.g. Case Study 1)

5. **Providers and advisors** – will have a say

PROS and CONS

PROS and CONS

PRO	Share Purchase - shares seen as 'tangible' and potential for depreciation can be offset by a generous match
CON	Share Purchase – share price can depreciate so the employee can lose out; Risk to participant?
PRO	Options/ Savings based – the decision to buy shares or not happens at the end of the savings term
CON	Evidence reveals that most people sell on maturity, so goal of 'employee shareholder' not achieved?

Don't be scared to deviate from your 'umbrella plan' and consider the benefits of a series of more localised plans (Case Study 2: 6 plans in 1)

What to think about?

Time to implement	Costs - direct and indirect	Accounting charge
Will you recharge to local business, and if so, how?	Hedging	Who at the company is going to do it?
Communications / Translations	Delivery of shares – Holding and trading shares - jurisdictions	Dividends

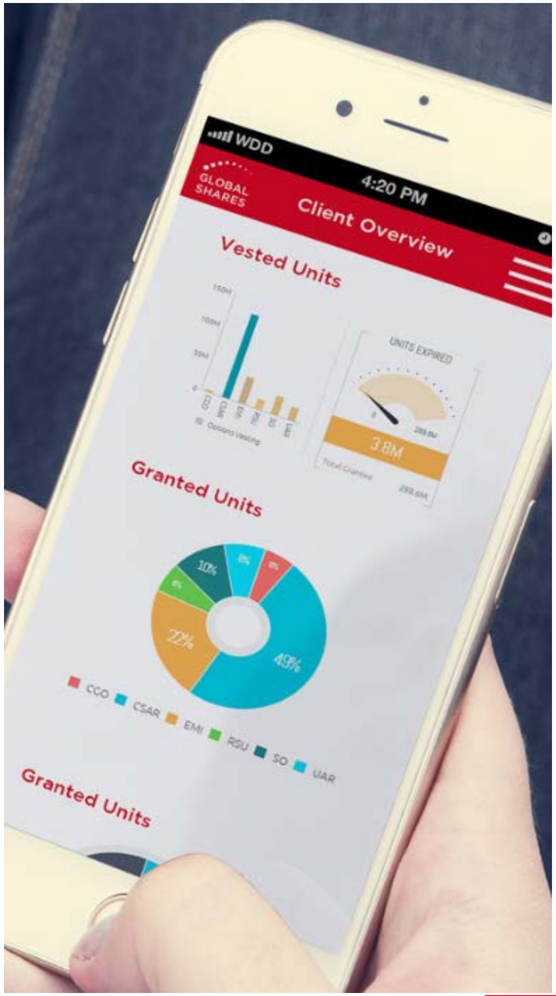
What are the key things to have in place ?

Technology!

Key things to have in place

The following will keep your costs down, make sure the plan doesn’t become a burden and keep the participant happy!

Real-time, 24/7 (remember, you will be delivering this around the world)	Online access for company
Online access for participant	Configurable by country, by grant… Even by employee
Tax and withholding requirements	Mobility tracking
Shareholding and share dealing facilities	Global payments
Expense accounting	Insider monitoring and pre-authorisation



Case Study 1

Don’t be scared to listen to local businesses and change

FTSE 30

Had Intl Sharesave for 6 years:

- Annual participation circa 12% (3 yr option / savings period, 20% discount)
- Asian employees:
  - “It’s not really working for us – our staff want shares”
  - “We (the Asian employees) want shares – that what our competitors offer”

Moved to ESPP (just for their Asian employees)

- Initial take up – 33%
- Monthly purchase, matched (1:1, 2 year restriction)

Case Study 1

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Lesson Learned

If your directors believe in the benefits of employee shareholders, then they shouldn’t shy away from changing what they have – even though there is always a cost.

Case Study 2

Having the right technology means you can be flexible without creating a monster

UK FTSE 250

4,800 employees

17 countries

Aim to have one global plan – sponsored by CEO

> "But this shouldn't stop variations to suit local requirements"

Case Study 2

Having the right technology, and configurable service provision, means you can be flexible without creating a monster!

US – Tax Approved s423 plan

- Not a share match plan
- Tax efficient plan (if shares held for 12 months after 'purchase date'
- Fixed monthly salary deduction – savings held until purchase at end of accumulation period
- 15% discount on shares based on a 12 month accumulation period
- Uses a "look back" so different pricing to match plan
- Residual cash carried over to next purchase
- Shares available "tax free" after 2 years

UK – Tax Approved SIP

- Tax efficient plan
- Participant invests in "Partnership" shares
- 1:5 match
- GBP 1800 max annual contribution from gross pay / min GBP 10
- Monthly contribution
- 2 year forfeiture / 3 year holding period for employer match shares
- Fractional shares
- Dividend reinvestment

RoW – ESPP (Share Based)

- Participant invests in shares
- USD 5k max annual contribution from net pay or 10% of salary
- 1:5 match
- Monthly contribution
- 2 year period to receive employer match
- Fractional shares
- Dividend reinvestment

RoW – ESPP (Cash Based)

- Phantom ESPP
- No share purchase, participant receives any upside on "units" that track share price in cash
- 1:5 match
- USD 5k max annual contribution from net pay or 10% of salary
- Monthly contribution via direct debit / deduction into company bank account
- 2 year period to receive employer match

Case Study 2

Countries Covered and Eligible Employees

RoW –ESPP

Share Based Plans

Belgium – 40 (1%)
Brazil – 8 (<1%)
Canada – 41 (1%)
China – 2641 (54%)
Czech Republic – 294 (6%)
Germany – 202 (4%)
Hong Kong – 10 (1%)
Malaysia – 240 (5%)
Mexico – 198 (4%)
Singapore – 20 (<1%)
South Korea – 34 (<1%)
Sweden – 57 (1%)
Taiwan – 99 (2%)

Phantom Plan

Vietnam – 46 (1%)
Japan – 8 (<1%)

RoW total*=3,938 eligible employees in 15 countries

*No initial launch in India, South Africa, Switzerland and Thailand

Tax Approved s423 plan

US – 849 (18%)

Tax Approved SIP

UK – 60 (1%)

Grand Total = 4,847 eligible employees in 17 countries

72% of eligible employees are in 2 countries - China and the US

91%+ are in 6 countries - China, US, Czech, Malaysia, Mexico and Germany

Case Study 2

Results...

Take up on day one globally 31%

Target was 25%

Company continue to promote and after 1 year, participation is now at: 36%

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Results…

The company's goals achieved:

1. A previously diverse business now has a distinct global 'banner'
2. Employee shareholder / wealth creation
3. Their global plan represents a 'glue'

THANK YOU