



Could Equity Be Used To Replace A Portion Of An Employee's Salary?

Webinar

Thursday 3 September 2020





A Word From The Chairman



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Agenda



- 16:00 – 16:05 Introduction
- 16:05 – 16:25 Nicholas Greenacre leads the panel discussion
- 16:25 – 16:30 Final thoughts
- 16:30 – 16:45 Questions & Comments

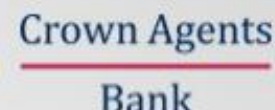


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ESOP Centre Webinar: Could equity be used to replace a portion of an employee's salary?

White & Case LLP

3 September 2020

Panellists



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Overview

- Introduction
- France
- Germany
- United Kingdom
- United States
- Questions?

Introduction

- Given the current economic outlook due to the COVID-19 pandemic, many companies will be concerned with maintaining cash flow and cutting costs wherever possible.
- This raises the question of whether it is possible, or even advisable, to replace a portion of an employee's salary with equity grants?
- What are the key related employment, securities, and tax law considerations in doing so?

France

France

1. **What are the key employment law considerations in France?**
 - a. Amending the employment contract
 - b. Works council considerations
 - c. Mandatory minimum wage requirements
 - d. Discrimination concerns and equal treatment principle
 - e. Collective bargaining agreements (“**CBAs**”)
 - f. Collective performance agreements (“**CPAs**”)

France

2. What are the key securities law considerations in France?

- a. Works council considerations
- b. Company's by-laws and shareholders' agreement
- c. Current company and/or group's Plans in force
- d. Appropriate vesting conditions for new equity awards
- e. Filings formalities

France

- 3. What are the key tax law considerations in France?**
 - a. Income tax and social security contributions (possible favourable treatments)
 - b. Risk of social security reassessment on the equity grants + potential damages

France

- 4. Practically, what else would companies need to consider?**
 - a. Company's culture / past practices
 - b. Context and current social climate
 - c. Negotiation with trade unions

Germany

Germany

- 1. What are the key employment law considerations in Germany?**
 - a. Consent
 - b. Limit on reduction of base salary
 - c. Equal treatment principle
 - d. Vesting, waiting and lock-up periods
 - e. Forfeiture and re-transfer of options/shares
 - f. Works council considerations

Germany

2. What are the key securities law considerations in Germany?

- a. Prospectus requirement
- b. Statutory exemption (*Art. 1, Para 4(i), EU Prospectus Regulation*)

Germany

- 3. What are the key tax law considerations in Germany?**
 - a. Income tax and social security contributions
 - b. €360 p.a. tax free allowance (subject to certain conditions)
 - c. Withholding of income tax and social security contributions

Germany

4. Practically, what else would companies need to consider?

- a. Participation in equity plans of (foreign) parent company
- b. Data protection

United Kingdom

United Kingdom

- 1. What are the key employment law considerations in the UK?**
 - a. Amending the contract
 - b. Statutory benefits
 - c. Discrimination concerns

United Kingdom

2. What are the key securities law considerations in the UK?

- a. Prospectus requirement
- b. Statutory exemption (*Art. 1, Para 4(i), EU Prospectus Regulation*)

United Kingdom

3. What are the key tax law considerations in the UK?

- a. Joint Elections under *s431 Income Tax (Earnings and Pensions) Act 2003*
- b. Corporation tax reductions

United Kingdom

- 4. Practically, what else would companies need to consider?**
 - a. National minimum wage
 - b. Filing requirements
 - c. Data protection

United States

United States

- 1. What are the key employment law considerations in the US?**
 - a. Current employment arrangements (employment agreements v. no employment agreements)
 - b. Form of equity
 - c. Statutory compliance
 - d. Discrimination concerns

United States

2. What are the key securities law considerations in the US?

- a. Availability of equity under the company's plans
- b. Required filings (if publicly traded)
- c. Other considerations

United States

- 3. What are the key tax law considerations in the US?**
 - a. Section 409A
 - b. Potential section 280G impact

United States

- 4. Practically, what else would companies need to consider?**
 - a. Approvals and related matters
 - b. Company culture/morale

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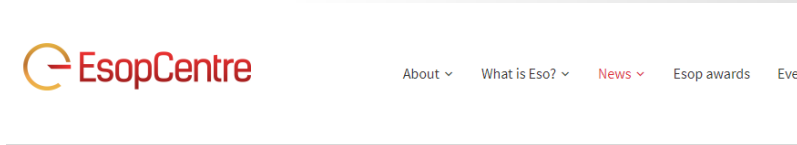
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The Esop Centre's *newspad*, edited by Fred Hackworth, is a monthly publication providing in-depth coverage of the main international news in the employee share ownership field.

NB Reminder: The email address of Fred Hackworth, editor of *newspad*, has now changed to: fred_hackworth@zyen.com (please note the under-score). Please send all press releases, company bulletins and news items for *newspad* to the above address. Thank you.

September 2020

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- Discretionary employee stock award for sex – claim
- Roadchef: efforts to secure tax-free compensation fail
- Executive reward under pressure
- Reports on five Centre-FS Club webinars
- Covid pushes SMEs towards share plans, report claims
- Share plans in a Covid world
- Last orders for Centre-STEP Jersey seminar September 25
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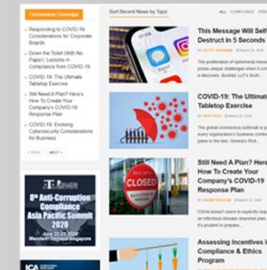
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From 43,000 curated sources, you get a machine summary of the key point(s) from forward-looking articles, not just article titles:



(LF.10) Reduced Inequalities

In September 2015, 193 world leaders agreed to 17 Global Goals for Sustainable Development. If these Goals are completed, it would mean an end to extreme poverty, inequality and climate change by 2030.

- Goal 10: Reduce inequality within and among countries.
- If the distributions of **income**, **mass tested vaccines**, and **federal taxes** follow CBO's projections, **income inequality** will be greater in 2025 than it was in 2015.
- High growth over the past decade** has been based on unsustainable resource exploitation; addressing the **resulting growth in inequality** and environmental cost will be critical to ensure social stability and to ensure **strong sustainable growth** in the coming decade.
- The increase in **inequality** observed in the last 20 years is a serious threat to France's social contract.
- America's **populist president** is pushing a tax plan that will further increase **economic inequality** at a time when **income** and **wealth gaps** are already widening.
- A failure to give the **world's poorest women control** over their bodies could widen **inequality** in **developing countries** and thwart progress towards global goals aimed at ending poverty by 2030.
- Under French leadership the G7 group of the 7 largest advanced economies plus the European Union will focus in 2019 on fighting **inequality**, including **poverty** induced by **climate change**.
- Leadership might require companies to take positions and advocate for **change on global inequality** - including **in-work poverty**.
- Achieving the 17 **Sustainable Development Goals** - which include clean water, clean energy, sustainable cities, climate action, responsible consumption, **reduced inequality** and more - would open a market opportunity of \$12 trillion by 2030.
- The next decade offers an opportunity to address **Africa's urban poverty** and **inequality** and shape development priorities to ensure that urbanisation helps foster **well-functioning, livable and sustainable cities**.
- In Africa and in the LDCs, eradicating poverty by 2030 will require both **double-digit GDP growth** and dramatic declines in **inequality**, illustrating the scale of the current challenges faced.
- The economic catch-up of AAs with the West will continue in the coming decades - thereby reducing **global inequality** among countries and among world citizens.



(FS.3.05) Employee Share Ownership

Considering 75 percent of the 2022 global workforce will be Millennials and Generation Z, it's critical that organizations keep a pulse on **employee engagement** and in a way that's consistent with how the emerging generations communicate.

- 2019 will see a continued evolution in designers' understanding of workplace optimisation with designs that boost office morale and **employee wellness** while facilitating a creative work environment.
- By 2016, Gartner Predicts Twice as Many Employee-Owned Devices Used for Work than Enterprise-Owned Devices. With proposed revisions to the UK Corporate Governance Code, from 2020, companies will be required to report on **employee engagement**, as announced earlier this year by Financial Reporting Council.
- For HR leaders looking to better determine the attitudes that drive employee turnover and increase retention, using AI to provide insights into **employee engagement** will be crucial.
- By 2021, Artificial Intelligence (AI) will allow the rate of innovation in New Zealand to double. **Employee productivity gains** are expected to increase 1.5 times.
- Artificial Intelligence will double the rate of innovation improvements and improve **employee productivity gains** by 1.5 times in New Zealand by 2021.
- US health benefit costs per employee will increase 4.1% next year - slightly higher than inflation and less than the double-digit increases seen in years past.
- With a tight labour pool, small businesses will find 2019 is the year to focus on **employee engagement** and happiness.
- Nearly 50 percent of companies also expect that automation will lead to some reduction in their **full-time workforce** by 2022, based on the job profiles of their **employee base** today.
- Employee wellness** has been on trend for years, but expect to see some high-tech changes in 2019.
- By 2020, automation and artificial intelligence will reduce **employee requirements in business shared-service centers** by 65 percent, which adds the RPA market will top \$1 billion by 2020.
- This year, many organizations will look to employee scheduling software to solve problems around creating, publishing and managing employee schedules that include rotating its open shifts to reflect course and increase. Act on sales to help identify customer specific content to enhance worker value.



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- 14 September 2020 (11:00)** **Can I Really Be An Inventor If I Work In Finance? How & When To Obtain Patent Protection For Financial Innovations**

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