



Taxand Compensation Seminar

> Global Compensation & Equity Trends

⋮ **QUALITY TAX ADVICE, GLOBALLY**

Friday 22 October 2010

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Welcome
Jaime Sol

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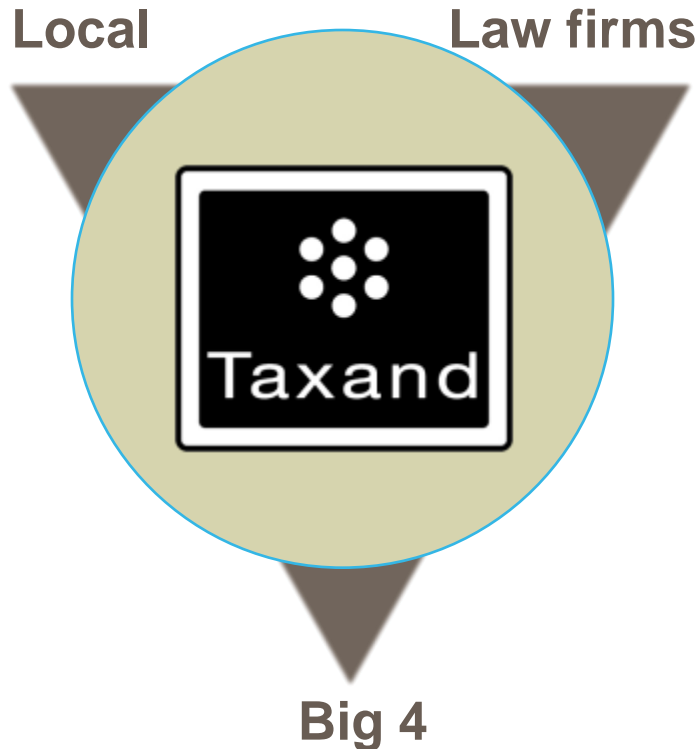
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A Global Organisation – With Big Differences

1

Welcome

3



- ❖ Dedicated to tax
- ❖ Independence advantage – conflict free, un-bureaucratic, best practice
- ❖ Local knowledge, global view
- ❖ Partner led from start to finish
- ❖ Complex problems, customised advice
- ❖ Passionate about working together



**PRACTICAL ADVICE,
RESPONSIVELY DELIVERED**



Global Coverage

- ❖ Argentina
- ❖ Austria
- ❖ Belgium
- ❖ Brazil
- ❖ Canada
- ❖ Chile
- ❖ China
- ❖ Colombia
- ❖ Cyprus
- ❖ Curacao
- ❖ Denmark
- ❖ Finland
- ❖ France
- ❖ Germany
- ❖ Greece
- ❖ Hungary
- ❖ India
- ❖ Indonesia
- ❖ Ireland
- ❖ Italy
- ❖ Japan
- ❖ Korea
- ❖ Luxembourg
- ❖ Malaysia
- ❖ Malta
- ❖ Mauritius
- ❖ Mexico
- ❖ Netherlands
- ❖ Norway
- ❖ Pakistan
- ❖ Panama
- ❖ Peru
- ❖ Philippines
- ❖ Poland
- ❖ Portugal
- ❖ Puerto Rico
- ❖ Romania
- ❖ Russia
- ❖ Singapore
- ❖ Spain
- ❖ Sweden
- ❖ Switzerland
- ❖ Thailand
- ❖ Turkey
- ❖ UK
- ❖ Ukraine
- ❖ USA
- ❖ Venezuela



From 9 to 48 countries in just 5 years

Won 29 ITR awards in 2009 / 10

95% recommended in World Tax 2011



Global Compensation – Our Perspective

- ❖ Employee compensation by nature is a sensitive issue
- ❖ That means operational accuracy & compliance is essential
- ❖ Errors can be costly, resulting in reputational damage & financial loss
- ❖ Tax authorities increasingly co-operate with each other therefore disclosure demands escalate
- ❖ Tax & social security rates are rising globally
- ❖ Taxand provides “hands on” service to ensure remuneration plans work in practice, wherever you deploy your people



GETTING YOUR COMPENSATION RIGHT IS
FUNDAMENTAL TO YOUR BUSINESS SUCCESS



Global Compensation – Our Approach

- ❖ Direct contact with 1 Taxand Partner in your primary region
- ❖ Integrated service combining tax, legal, financial & HR
- ❖ Proven methodology delivers robust compensation policies which meet expectations and contain costs
- ❖ We successfully guide you through growth, change, divestiture and crisis
- ❖ We hold regular client meetings, satisfaction reviews, tailoring work to every circumstance
- ❖ Use our independence advantage to act quickly to deliver the practical answers you need



WE OPTIMISE THE VALUE THROUGH EFFECTIVE
AND TAX COMPLIANT REWARD PROGRAMMES



Global Compensation Services Delivered

1

Welcome

7

- ❖ Long and short-term global equity and cash plan design and implementation
- ❖ Performance condition design and modelling
- ❖ Employer and employee tax, social security, withholding and compliance due diligence
- ❖ Legal and regulatory global due diligence
- ❖ Global corporate tax deductibility optimisation
- ❖ Employee communication and engagement programmes
- ❖ Equity awards for international assignees
- ❖ Cash and equity plan implications on change of control





Executive Compensation Trends in the Americas

JD Ivy & Gloria Geddes

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US – Overview

- ❖ Shareholders demand greater alignment with their interests
- ❖ Risky compensation seen as partially responsible for economic problems
- ❖ Disparity in income between executives and rank-in-file workers continues to increase
- ❖ Severance compensation or “pay for failure” is large issue for shareholders and regulators

- ❖ Dodd-Frank Wall Street Reform & Consumer Protection Act:
 - ❖ “Say on Pay”
 - ❖ Compensation Committee Independence
 - ❖ Enhanced Disclosures
 - ❖ Claw back Policy
- ❖ New Securities & Exchange Commission (SEC) Rules for Risk Management Policies



- ❖ Increased Emphasis on Shareholder Advisory Groups
- ❖ Changes in Severance Provisions and “Change in Control” Policies
- ❖ Transformations in Long-Term Incentive Plans
- ❖ Decline of Executive Perquisites and Benefits

Dodd-Frank Wall Street Act

“Say on Pay”

- ❖ Imposed on public US companies
- ❖ Non-binding shareholder vote at the first shareholder meeting on or after 21 January 2011
- ❖ Shareholders must approve golden parachutes on a merger, acquisition, consolidation or proposed disposition of all or substantially all of a company’s assets

Compensation Committee Independence

- ❖ The Act provides for new enhanced independence that will:
 - ❖ Limit compensation committee members to independent directors only
- ❖ Proxy statement disclosure (per SEC regulations) on the use of consultants and whether the work raised any conflicts, and how the conflicts were addressed

Dodd-Frank Wall Street Act

- ❖ Independence definition includes consideration of the following:
 - ❖ Whether other services are provided to the company by the consultant or advisor
 - ❖ The amount of fees received by the individual or consulting firm as a percentage of the individual's or consulting firm's total revenue
 - ❖ Any business or personal relationship with the consultant or advisor and a member of the committee
 - ❖ Any company stock owned by the consultant / advisor



Enhanced Proxy Disclosure

- ❖ A clear description of “pay for performance”
- ❖ An internal pay equity calculation showing the ratio between the median of “annual total compensation” for all employees other than the chief executive officer (CEO) and the “annual total compensation” for the CEO
- ❖ A disclosure on purchase of financial hedging instruments



Dodd-Frank Wall Street Act

Claw back Policy

- ❖ Public companies must adopt and implement a qualifying compensation claw back policy
- ❖ If accounting restatement is made, the company must recover compensation paid to current or former executives in the 3-year period preceding the date of the restatement
- ❖ The company must be able to recover any amount that exceeds that which would have been paid to the executive after the effect of the restatement



New Securities & Exchange Commission Rules

- ❖ Disclosure of compensation programs
“reasonably likely to have a material adverse effect” on the company. All employees not just for NEOs.
- ❖ Internal audits of existing compensation programs to determine risk and how to minimise
- ❖ Methods of risk mitigation:
 - ❖ Tying long-term performance to compensation
 - ❖ Stock ownership guidelines for executives
 - ❖ A balance between short- and long-term incentives
 - ❖ Compensation claw backs



Emphasis on Shareholder Advisory Groups

- ❖ Institutional shareholder advisory groups continue to influence executive compensation trends by continually redefining “best practices”
- ❖ “Say on pay” rules in the US means advisory groups become more critical in determining acceptability of compensation packages to shareholders

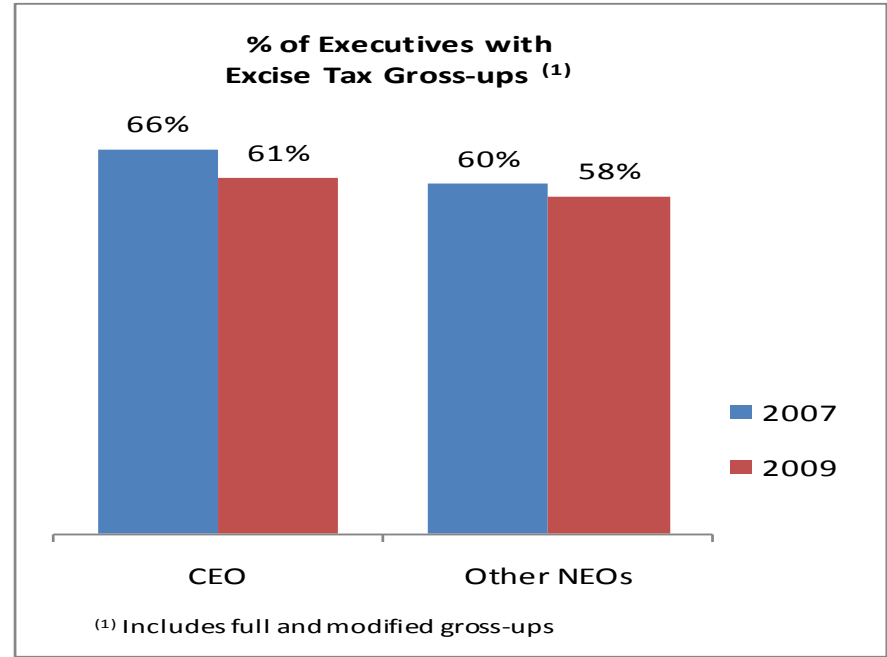
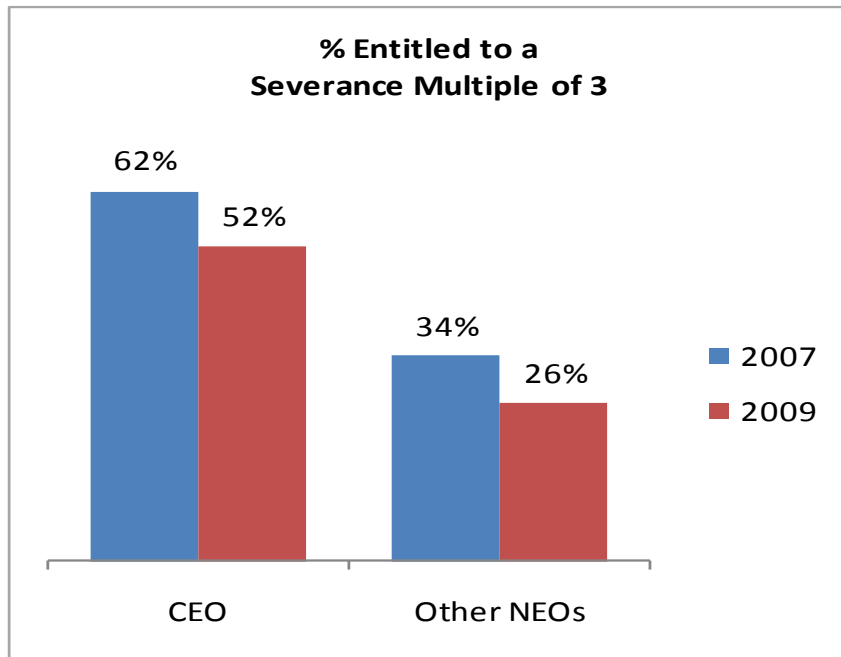
Changes in Severance Provisions & “Change in Control” Policies

- ❖ Heightened public awareness and pressure from shareholder advisory groups
- ❖ Poor pay practices include
 - ❖ Severance and change in control payments that exceed three times base salary plus target bonus
 - ❖ New or materially amended arrangements that provide for excise tax gross-ups



Changes in Severance Provisions & “Change in Control” Policies

- ❖ Overall decrease in severance multiples and the use of excise tax gross-ups



Source: 2009/2010 Taxand US Executive Change in Control Report



Transformations in Long Term Incentive Plans

- ❖ Recent changes to long-term incentive plan design practices
 - ❖ Shifting to performance-based vesting of awards from time-based vesting
 - ❖ Moving to index performance measures versus peer group measures
 - ❖ Adopting multiple types of long-term incentive vehicles
 - ❖ Incorporating cash-based long-term incentive plans to conserve shares and target specific long-term goals that might not be captured through stock growth



Decline of Executive Perquisites and Benefits

- ❖ Heavy public scrutiny of perquisites following increased disclosure regulations
- ❖ From 2008 to 2009 the value of perquisites in Fortune 100 companies dropped over 28%, and over 34% of companies mentioned eliminating some perquisites in their 2009 proxy statements
- ❖ Many companies have eliminated perquisites sometimes providing compensatory cash



Canada – Overview

- ❖ Public pressure to re-evaluate executive pay policies and constrain compensation practices
- ❖ Canada's approach is based on best practices but may impose additional regulatory restraints
- ❖ Pressure greatest on banks and other financial institutions
- ❖ Constraints migrating into other companies' governance policies

Regulatory Responses

- ❖ Canadian securities regulators impose disclosure requirements for key executive compensation
- ❖ Finance Minister committed to implementing April 2009 “Principles for Sound Compensation Practices” of Financial Stability Board (FSB) by the end of 2010 for all federally regulated financial institutions

FSB Risk Alignment Principles

Principle: compensation outcomes must be symmetric with risk outcomes

- ❖ Compensation adjusted for risks employees take on behalf of the company (including liquidity risk, reputation risk and cost of capital)
- ❖ Variable compensation for senior executives considered more risk-aligned when deferred

FSB Risk Alignment Principles

Principle: compensation payout schedules must be sensitive to the time horizon of risks

- ❖ Grants sensitive to risk outcomes over a multi-year horizon and differ across employees who expose the company to risks of different duration
- ❖ “Golden handshakes” and multi-year guaranteed bonuses are not in line with principle
- ❖ Departure of employee should not trigger early payout



Canadian Coalition for Good Governance (CCGG)

- ❖ CCGG represents Canada's largest institutional shareholders
- ❖ Focus on pay for performance and risk controls (link compensation and risk management)
- ❖ "Performance" based on measurable criteria that is risk-adjusted and matched to the time horizon needed to ensure the criteria have been met
- ❖ Movement away from stock options to stock ownership (executives should be required to hold equity positions)



Conclusion: Risk-Aligned Compensation

- ❖ Share awards considered superior to options
- ❖ Recommend placing cash and equity grants “in escrow” with claw backs for poor performance
- ❖ Require longer performance periods: defer payments until profits and risks related to individual’s performance are known



Say-on-Pay

- ❖ No mandatory say-on-pay in Canada
- ❖ Major Canadian banks and public companies moving to offer shareholders non-binding say-on-pay vote
- ❖ Directors unlikely to ignore the message

Non-Tax Issues

- ❖ Legal questions regarding claw back mechanisms
- ❖ Performance sensitivity creates more complexity and conflicts with demand for simple understandable plans
- ❖ Regulatory difficulties in controlling pay
- ❖ Competition for top talent
- ❖ Environment for boards and compensation committees becoming more difficult



- ❖ Compensation planning cannot be isolated from tax planning
- ❖ To avoid disincentive effect, compensation packages should not put executives at a tax disadvantage and company should not have to “gross-up” for adverse tax effects
- ❖ Canada’s current tax regime makes it difficult to design a compensation package that is risk-aligned compensation without imposing significant adverse tax consequences



- ❖ Canada's income tax laws have not kept pace with the changing trends in compensation governance
- ❖ The current tax regime encourages immediate tax bonuses, favours stock options and penalises long-term performance awards
 - ❖ Stock options still have the most tax-effective form of compensation but considered inferior under risk-aligned analysis
 - ❖ Canadian salary deferral arrangement (SDA) rules penalise deferral of cash awards beyond 3 years
 - ❖ Claw backs have particularly harsh tax consequences – forfeited amounts are generally not deductible from income



- ❖ **SDA** – a plan or arrangement under which an employee has a right in a taxation year to receive an amount after the year where it is reasonable to consider that one of the main purposes is to postpone tax in respect of salary or wages for services rendered in the year or a preceding year
- ❖ Broadly interpreted by Canada Revenue Agency SDA rules include deferred amount in income immediately even though no actual receipt until the future
- ❖ Exception if payment within 3 years following the end of the year the services were rendered
- ❖ 3 year exemption generally not sufficient to meet the time horizon of risk



Canadian Tax Issues

- ❖ Restricted Stock
- ❖ No specific rules dealing with restricted stock
- ❖ Immediate taxable benefit at the time the stock is acquired even if a substantial risk of forfeiture
- ❖ A capital loss on forfeiture cannot be applied to offset benefit included in income
- ❖ Minister of Finance has advised that the tax implications of implementing the FSB principles are currently being considered with a “view to ensuring the fairness, efficiency and competitiveness of Canada’s tax system”
- ❖ In the meantime, companies and their advisors must keep the tax implications in mind when designing and implementing risk-managed executive compensation packages





European Equity Plan Taxation Comparison & Participant Relocation

Jimmie van der Zwaan, Peter Schäeffler,
Peter Vogt & Nitin Baijal

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Planning Considerations

- ❖ Economic environment
- ❖ Goal of remuneration
- ❖ Which group (top management)
- ❖ Control / voting power

Tax Principles: Equity Remuneration

Considerations

- ❖ Taxation at grant or exercise
- ❖ Pre financing taxes
- ❖ Risk of devaluation after taxation
- ❖ Taxation rules on disposal of shares

			
Shares	Economic ownership	Economic ownership	Economic ownership / discount for blocking
RSU	Economic ownership	Economic ownership	Economic ownership
Options	Exercise	Exercise	Grant / vest / exercise




Belgium “Under conditions stock options taxed at grant”



Corporate Tax Deduction

Considerations




- ❖ Additional expense
- ❖ Company or shareholder
- ❖ Timing of deduction
- ❖ SAR / cash bonus vs equity instruments
- ❖ Influence on wage taxes
- ❖ Corporate vs income tax
- ❖ Structuring of group recharge

			
Shares	No	Yes	Yes
RSU	No	Yes	Yes
Options	No	Yes	Yes

Social Security Contributions

Considerations




- Employer costs
- Capped / uncapped
- Exempt

			
Shares	Yes - capped	Yes - capped	Yes - uncapped
RSU	Yes – capped	Yes - capped	Yes - uncapped
Options	Yes- capped	Yes – capped	Yes - uncapped

Negative Wage Upon Re-Sale / Redundancy

Considerations

- ❖ Employee deduction upon re-sale / redundancy
- ❖ Payroll / income tax return correction
- ❖ Valuation upon re-sale
- ❖ Social security contributions

			
Shares	Yes	Yes	Yes – if blocked
RSU	N/A	N/A	N/A
Options	No	N/A	Yes

Considerations

- ❖ Quoted shares
- ❖ Non quoted shares / privately owned
- ❖ Discount due to lock-up restrictions (RSU/RSA 2.5%-5% per year)
- ❖ Black - Scholes option pricing model
- ❖ Case law

Valuation Methods



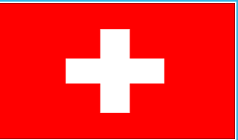
- ❖ **Germany** – FMV (no discounts in minority shares)
- ❖ **Switzerland** – Valuation principles very important as capital gains are tax free
- ❖ **Netherlands** – GMV (discounts possible on restricted shares)
- ❖ **Belgium** – FMV

OECD Rules

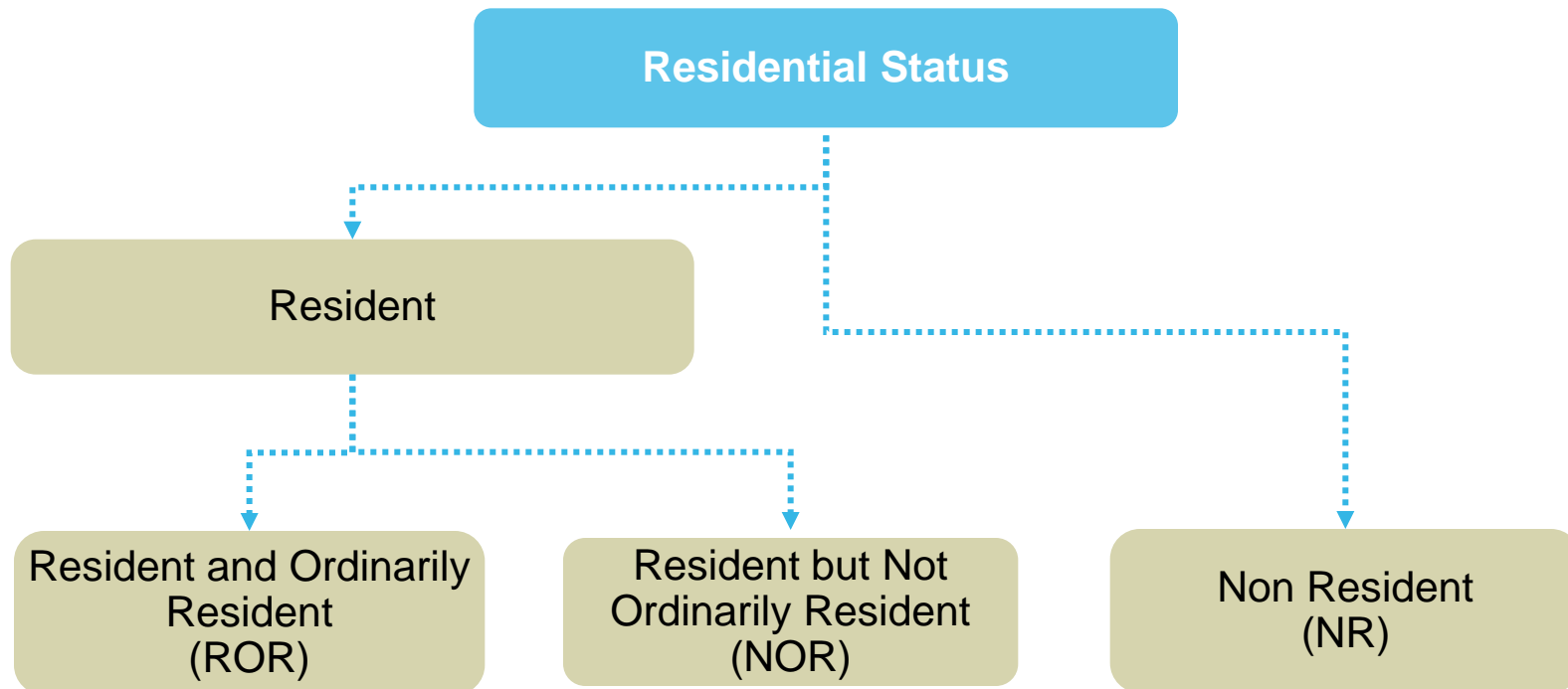
- ❖ OECD rules (allocating taxation rights – time spent / activities performed)

Considerations

- ❖ Time spent
- ❖ Remuneration for which activities
- ❖ Salary split situations
- ❖ OECD Principles article 15 p12
- ❖ Local legislation
- ❖ Double taxation

			
Shares	Prior to grant	Prior to grant	“All-or-nothing”
RSU	Vesting period	Vesting period	“All-or-nothing” or vesting period
Options	Vesting period	Vesting period	Vesting period

Participant Relocation – Residential Status



Residency is determined by physical number of stay days in India

Specific Benefits

- ❖ Short stay exemption under domestic tax law
 - ❖ Employee is a foreign citizen
 - ❖ Employed by foreign enterprise
 - ❖ Foreign entity not engaged in trade / business in India
 - ❖ Stay in India ≤ 90 days in a financial year
 - ❖ Remuneration not liable to be deducted from employer's income chargeable to tax

- ❖ Short stay exemption under tax treaty
 - ❖ Presence in India < 183 days
 - ❖ Expense not cross-charged / borne by Indian PE
 - ❖ Remuneration to be paid by foreign employer



ESOP's – Tax Regime

- ❖ Benefit taxable in the hands of employee on date of allotment / transfer of securities
- ❖ Taxable Benefit = Fair Market Value (FMV) on date of exercise less exercise price paid by employee
- ❖ Capital Gain Tax (CGT) on sale
 - ❖ Value treated as perquisite becomes cost base for CGT
- ❖ Shares allotted by foreign company to employees of Indian subsidiary
 - ❖ Employee to pay perquisite tax

Social Security – International Workers

- ❖ New regime
- ❖ International Workers' introduced as a new class of participants in the existing Provident Fund and Pension Schemes
- ❖ International Workers to mandatorily participate in the social security scheme if:
 - ❖ employed to do any work in or in relation to any establishment to which Provident Fund Act applies
 - ❖ employee does not fall within the category of “excluded employee”



Social Security – International Workers

- ❖ Excluded Employee means
 - ❖ International Workers contributing to the social security of their country of origin, with whom India has entered into a social security agreement (SSA)
 - ❖ Enjoying the status of detached worker
- ❖ International Workers to compulsorily contribute to social security at 12% of the specified components of salary. Employer to also make a matching contribution of 12%
- ❖ Withdrawal of the accumulated balance (contribution and interest) permissible on repatriation i.e. upon completion of assignment in India (based on the reciprocity principle)





Asian, Middle Eastern & European Compensation Trends & Regulation

Sarah Pickering, Nitin Baijal & Fanny
Mitre

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Regional differences but common trends

- ❖ Local leadership talent is scarce and so expensive
- ❖ Excessive executive pay in cases of poor corporate performance is increasingly being challenged by shareholders
- ❖ Increasing transparency in executive pay is fuelling pay rates

Asia – General Overview

Examples of directors' compensation setting

- ❖ **Australia** – Committee of non-executive directors and a binding shareholder vote
- ❖ **China** – by directors but subject to a shareholder vote
- ❖ **Japan** – shareholders approve aggregate directors' compensation
- ❖ **Singapore** – Remco of non-exec directors recommends compensation framework and specific packages for CEO and directors



Asia – General Overview

- ❖ Increasing compensation disclosure requirements
- ❖ Greater requirement for performance-related incentives

- ❖ Family and private companies not subject to corporate governance
- ❖ General corporate governance has been strengthened especially appointment of independent directors – Companies Bill 2008
- ❖ Non-executive director compensation
- ❖ Fixed by Board of Directors and approved by shareholders in general meeting
- ❖ Can now receive fees for meeting attendance not limited to percentage of profits
- ❖ Compensation philosophy and their entitlement published in annual report



Listed companies

- ❖ Remco consisting of non-executive directors including at least one independent director
- ❖ Directors and key managerial personnel and such other employees as the Board decide
 - ❖ Managing director
 - ❖ Chief Executive Officer or Manager
 - ❖ Company Secretary
 - ❖ Chief Financial Officer
- ❖ Executive compensation limited to a percentage of profits

- ❖ Board resolution for appointment of key managerial personnel
- ❖ Shareholders determine managerial remuneration but Central Government approval still required for Managing Directors

Middle East – General Overview

- ❖ **United Arab Emirates** – October 2009 Ministry of Economy issued resolution 518 concerning Governance Rules and Corporate Discipline Standards
- ❖ **Bahrain** – Ministry of Industry and Commerce in early 2010 issued new Corporate Governance Code but effective 1 January 2011
- ❖ **Kingdom of Saudi Arabia** – Monetary Agency (SAMA) issued their rules on compensation in May 2010



Common features

- ❖ Remuneration Committee (min 3 non-execs and independent chairman)
- ❖ Work with other Board committees
- ❖ Oversight of compensation practises
- ❖ Appointed by and makes reports to the Board

- ❖ Quoted joint stock companies
- ❖ Review directors and senior managers compensation and obtain shareholder approval – comply or explain
- ❖ Sufficient to attract, retain and motivate quality staff but at the same time not paying more than is necessary
- ❖ Proportion to be linked to individual and company performance except for non-executives
- ❖ Vesting to be not less than 2 years
- ❖ Shareholders to approve all performance related incentive plans
- ❖ Annual Board evaluation

- ❖ Committee is fully responsible for the formulation and annual review of the firm's compensation policy
- ❖ Remuneration and benefits aligned with company's performance
- ❖ Required to formulate a report to the Board which recommends processes, results and recommendations

- ❖ **Banks only** – G20 member so in response to Financial Stability Board recommendations
- ❖ Written comprehensive pay policy for all levels of employees taking in to account risk
- ❖ Performance measured over **at least one year**
- ❖ Evaluate adequacy and effectiveness of compensation at least every **6 months**
- ❖ Disclosure of **aggregate compensation** in Annual financial Statements

Bankers bonuses

- ❖ Confirmed 7 July 2010 and effective from January 2011
- ❖ Between 40% and 60% of bonuses must now be deferred for at least three years and can be clawed back
- ❖ Half of the non-deferred bonus has to be paid in shares or securities linked to the bank's performance
- ❖ As a result, cash bonuses will be capped at 30% of the total bonus and to 20% for 'particularly large bonuses'
- ❖ Bonuses will have to be capped relative to salary, on the basis of (yet to be specified) EU wide guidelines
- ❖ Special rules for bailed out banks

New strict regulations for directors remuneration have been introduced since 2008

- ❖ Code of conduct for listed companies
- ❖ Broader and rigorous disclosure/transparency obligations
- ❖ Limited scope for stock options/free shares grants to directors (closed periods at grant, performance conditions at exercise, obligation to hold shares acquired until the end of the activity in the group ...)
- ❖ Stronger rules for golden parachutes grants



- ❖ Legal obligations for French listed companies to grant stock options / free shares to directors on similar terms to the grant of incentives to at least 90% of the employee (in France)
- ❖ Social security contributions on retirement schemes have been significantly increased (taxes from 6% to 24% depending on the scheme retained by the company)
- ❖ New stock options and free shares taxes (Social Security)
 - ❖ 2.5% for the employee
 - ❖ 10% for the employer



- ❖ In private equity sector, new carried interest tax regime with strict conditions introduced into the French tax code
 - ❖ Capital gain tax (30.1%) vs salary (progressive rate up to 40%)
 - ❖ Risk / no gain guarantee / exceptional amount activity (capital gain) vs no risk / gain guarantee / linear amount activity (salary)
- ❖ New exceptional tax on bankers bonus 50% on the portion exceeding €27,500 paid in 2009

- ❖ Draft finance bill and social security law for 2011 continue the trends
 - ❖ Stock options – new tax introduced in 2009 increasing tax rates from 2.5% to 8% for the employee and from 10% to 14% for the employer
 - ❖ Retirement scheme – new tax of 14% in addition to the current applicable taxes
 - ❖ General increase of all income tax rates

Financial Services

- ❖ Bankers tax
- ❖ 50% tax for the banks on bonuses of £25,000 or more
- ❖ £3.5bn for UK Treasury (£500m original estimate)
- ❖ Increased base salaries (up to 100%), reduced bonuses
- ❖ More regulation on “bonuses” eg European proposal that maximum of 30% of bonus could be paid in cash



New UK Corporate Governance Code from 29 June 2010

- ❖ Formal and rigorous annual Board evaluation
- ❖ Externally facilitated evaluation at least every 3 years
- ❖ Accountability – clear expectations of itself / a performance goal
- ❖ Transparency in its governance
- ❖ Competency and development – a commitment to ongoing education



- ❖ New principle that performance-related elements of directors' remuneration must be **stretching and designed to promote long-term success**
 - ❖ Reinforcement of comply or explain principle
- ❖ No discounted share options
- ❖ Incentives to be compatible with risk policies and systems
- ❖ Consideration to be given to re-claiming variable components “in exceptional circumstances of misstatement or misconduct”

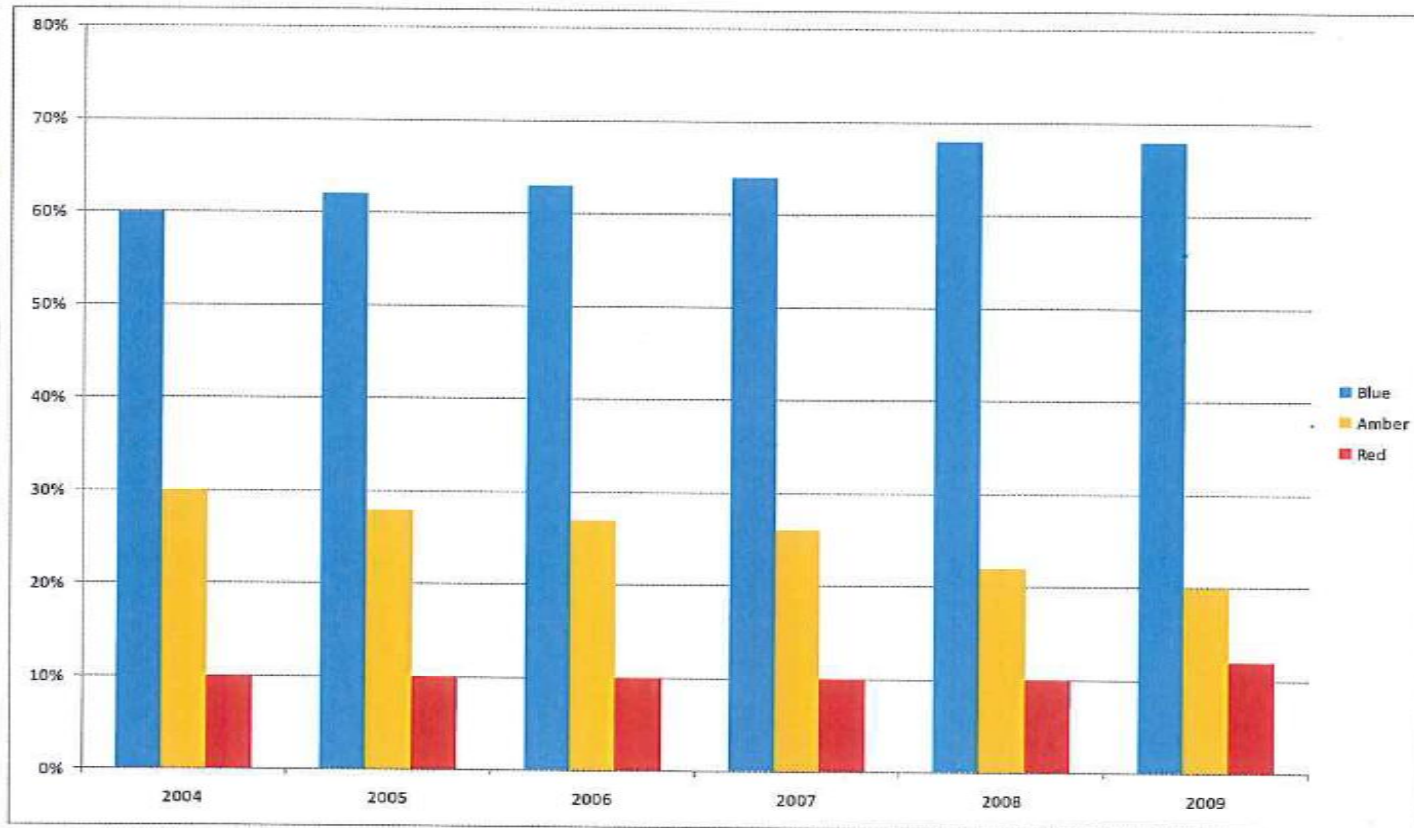
Association of British Insurers

- ❖ Remco are accountable for the decisions they make especially where discretion is exercised – beware over reliance on consultants
- ❖ Bonus payments to directors should be reconsidered if poor corporate performance
- ❖ Tax planning schemes must not incur more cost to the company and the reputational impact must be borne in mind
- ❖ Warning that windfall gains on share options are possible if share price is low unless awards are scaled back



- ❖ Increased deferral element – amount and period
- ❖ Bonus foregoing where poor performance
- ❖ Financial and non-financial performance elements
- ❖ More stringent approach by shareholders
 - ❖ 5 remuneration reports voted down in 2009 and expected to increase
 - ❖ 2009 following “red top” 30% (13% in 2008) of votes not voted in support of management

Figure 1 Proportion of Colour Tops – All AGMs

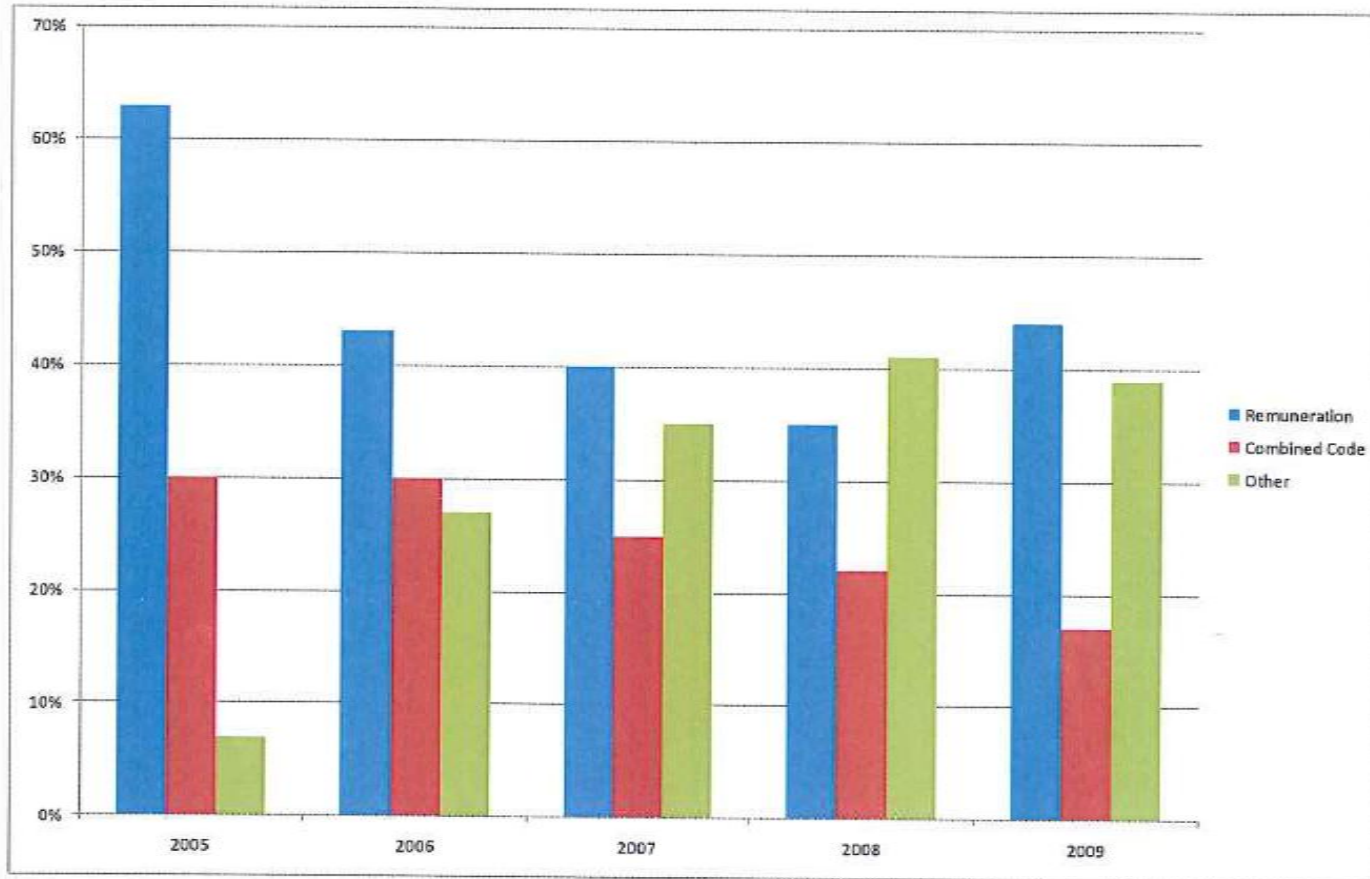


Source: IVIS



Europe – UK

Figure 2 FTSE All-Share Index – Reasons for Red Tops



General Remuneration Corporate Governance Trends

- ❖ Directors pay increasingly set by independent non-executives who are required to have improved competency
- ❖ Increased disclosure requirements and improved compensation setting processes
- ❖ Regular Board evaluation
- ❖ Widening of the Remco remit beyond the Board to the wider employee population
- ❖ Incentives to be for the longer term, linked to performance, aware of risk and greater alignment with business strategy
- ❖ Enhanced corporate governance rules for banks



Looking forward to 2011

- ❖ Increasing global regulatory approach providing a more rigorous corporate governance landscape especially for banks
- ❖ Greater consultation with and disclosure to stakeholders
- ❖ Enhanced compliance monitoring
- ❖ Increased remuneration package flexibility to respond to rapidly changing market conditions
- ❖ Base salary increases – “disclosure inflation”
- ❖ Improved risk analysis which includes the “unthinkable” happening
- ❖ Greater scrutiny of decision making and possible litigation





Challenges Implementing & Operating a Global Equity Plan

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❖ Market practice

- ❖ Companies in your country implementing global plans before
- ❖ Companies in your country acting as local recipients of a global plan
- ❖ Companies worldwide implementing global plans
- ❖ Number of employees and categories
- ❖ Probability of reward (or investment risk level)

Design Aspects

- ❖ Managing your brand as global employer
 - ❖ Current employees
 - ❖ Future hires
- ❖ Communication and training strategy
- ❖ Multilingual issues
- ❖ Defining a realistic implementation timescale
- ❖ First step towards a global compensation policy?

Key Issues



❖ Areas of analysis:

- ❖ Securities market law
- ❖ Corporate law
- ❖ Exchange control
- ❖ Social security
- ❖ Labour law
- ❖ Taxation



❖ Common Key Issues:

- ❖ Legal feasibility
- ❖ Cost of the plan
- ❖ Conflicts over legislations and jurisdictions
- ❖ Exchange control issues
- ❖ IT tool
- ❖ Labour implications



Key Issues: Legal Feasibility, Cost & Recharge

- ❖ Check legal feasibility of key characteristics of the plan in every jurisdiction
- ❖ Quantification and calculation of the maximum amount to be spent in the plan
- ❖ Recharge in case of subsidiaries involved. The decisions regarding the recharge of the cost of the plan to the subsidiaries could lead to the following implications:
 - ❖ Labour and social security implications
 - ❖ Withholding tax implications



- ❖ Conflicts between home country legislation and legislation of the country where the beneficiary works
- ❖ Identify tax optimisation alternatives that are attainable without attempting against the spirit of the plan.
- ❖ Alternatives
 - ❖ Single plan applicable to all the countries
 - ❖ Framework plan to be adapted with sub-plans for each country special features (“umbrella plan”)



Key Issues: Exchange Control

- ❖ Exchange control restrictions could frustrate the plan's viability in certain countries
 - ❖ Statistical purposes vs. clearance requirements
 - ❖ Acting according the corresponding legislation
 - ❖ Implications
 - ❖ Money remittance between the employee and the company
 - ❖ Money remittance between companies (recharge)
 - ❖ Delivery of shares
- ❖ Cost of the plan may increase



Key Issues: IT Tool

- ❖ Assuming that a global plan will be offered to a large number of employees, it may be necessary to use technology to manage invitations, enrolment, awards and ongoing and administration of the plan
- ❖ Electronic acceptance of the terms and conditions of the plan
- ❖ Check it in advance: not valid in certain countries, so alternatives needed to be adopted
- ❖ Data protection



Key Issues: Labour Implications

- ❖ Certain documents need to be translated into local language
- ❖ Specific clauses need to be included
 - ❖ For example: regulation of causes for dismissal
- ❖ Country specific documents may need to be prepared



Taxand's Take

Jaime Sol

•• QUALITY TAX ADVICE, GLOBALLY

Friday 22 October 2010

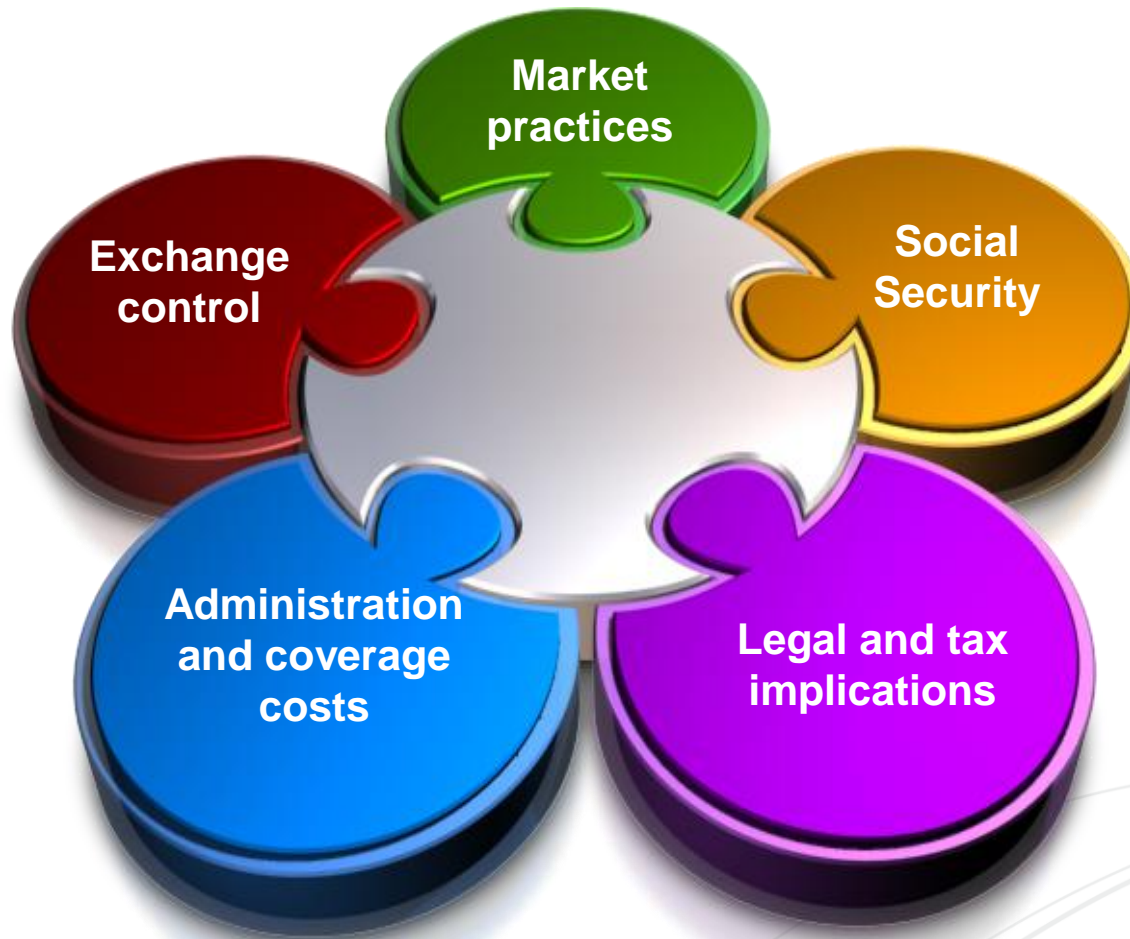
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Taxand's Take

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- ❖ Rapidly changing area across the globe
 - ❖ Strengthening corporate governance
 - ❖ Increasing disclosure and reporting
 - ❖ Rising tax rates
 - ❖ Heavy financial services regulation
- ❖ Finding the optimal plan for your company requires multiple skills delivered in an integrated manner
 - ❖ HR strategy and governance
 - ❖ Legal, tax and accounting
 - ❖ Communication
 - ❖ Operational excellence



- ❖ There can no longer be a domestic approach – an integrated global strategy, creative design and pragmatic, compliant implementation plan is essential to your future business success



Speaker Details


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Key Contacts

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**Sarah Pickering**


E. spickering@alvarezandmarsal.com
T. + 44 (0) 207 663 0445

**Fanny Mitre**

E. fanny.mitre@arsene-taxand.com
T. + 33 1 70 39 43 52

**Jaime Sol**


E. jaime.sol@garrigues.com
T. + 34 91 514 5200

**Peter Schaeffler**

E. peter.schaeffler@luther-lawfirm.com
T. +49 89 23714 24765

**Gloria Geddes**


E. gloria.geddes@gowlings.com
T. + 1 416 369 4583

**Peter Vogt**

E. peter.vogt@taxpartner.ch
T. + 41 44 215 77 32

**Nitin Baijal**

E. nitin.baijal@bmr advisors.com
T. +91 124 339 5018

**Jimmie van der Zwaan**

E. jimmie.vanderzwaan@vmw taxand.nl
T. + 31 20 301 66 33

**JD Ivy**

E. jivy@alvarezandmarsal.com
T. + 1 214 438 1028

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Registered office: 1B Heienhaff, L-1736 Senningerberg – RCS Luxembourg C68