

Focus on Grant Documentation in International Share Plans

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Aims of Grant Documentation

- The obvious:
 - Communicate company goals
 - Communicate plan procedures
- The not so obvious:
 - Ensure legal compliance
 - Protect the company from legal claims
- Strategies on the effective use of grant documentation

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Grant Communication - Aims

- **Communicating key messages from a company perspective**
 - Increase share ownership among employees
 - Create a loyal and dedicated workforce
 - Vital tool in recruiting, retaining and motivating a highly skilled workforce throughout the organisation
 - Offer equal opportunity to all staff
 - Irrespective of rank or location



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Grant Communication - Aims

Communicating relevant information to employees

- Value of award
- How to apply
- Tax implications/advantages
- What should be done on grant, vest etc.
- Provide company information – performance, strategic focus, overall remuneration
- Performance criteria attached to award
- Implications of takeovers, retirement etc.
- FAQ's



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Grant Communication - Aims

- **Communicating relevant information to employees**
 - Value of award
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 - Tax implications/advantages
 - What should be done on grant, vest etc



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Legal compliance



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Ensure Legal Compliance Through Grant Documentation -- Translations

Required?

Argentina	Australia	Austria	Brazil	Canada
Yes	No	No	Yes	Yes
Chile	China	Denmark	Egypt	France
Yes	No	Yes	No	No
Germany	Hong Kong	India	Ireland	Kazakhstan
No	No	No	No	Yes
Mexico	Singapore	Sweden	US	UAE
Yes	No	No	No	No



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Ensure Legal Compliance Through Grant Documentation – Provide Rules or Summary

Required?

Argentina	Australia	Austria	Brazil	Canada
No	Yes	No	No	No
Chile	China	Denmark	Egypt	France
No	No	Yes	No	No
Germany	Hong Kong	India	Ireland	Italy
No	No	No	No	No
Mexico	Singapore	Sweden	US	UAE
Yes	No	No	No	No



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Ensure Legal Compliance Through Grant Documentation – Specific Wording

Required?

Argentina	Australia	Austria	Brazil	Canada
Yes	Yes	No	Yes	No
Chile	China	Denmark	Egypt	France
Yes	No	Yes	No	No
Germany	Hong Kong	India	Ireland	Italy
No	No	No	No	No
Mexico	Singapore	Sweden	US	UAE
No	No	No	No	No



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Grant Communication - Ensure Legal Protection When the Local Company Operates the Plan

- Data transfers
- Tax withholdings
- Deductions from salary
- Plan amendments
- Acquired rights issues



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Grant Communication -- Ensure Legal Compliance by Obtaining Necessary Consents

- Data protection consents
- Tax withholding consents
- Banking consents - Deductions from salaries
- Consents to amend the plan
- Exclusion clauses



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Data Protection Consent

By joining the Plan you give your express consent to the company to transfer to the parent company, to any company within the group or to any agent of the company, any of your personal data that you have provided in connection with administering the Plan. This would include any non-sensitive information provided by you or held by your employer now or in the future. You accept that the data will be administered and processed by the company or any other agent or person designated by the company. You are entitled to request access to the data referring to you and held by the company and to request the amendment or deletion of such data. In order to exercise these rights please contact your local coordinator. You also give your express consent to the company to transfer and process your personal data to [COUNTRY] in accordance with the applicable laws and regulations of [COUNTRY] even if the level of personal data protection in that country is lower than in your country. You acknowledge that you are free to withdraw your consent at any time and that the consent is granted for the duration of the Plan and for 2 years afterwards.



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Tax Withholding Consent

“By joining the Plan you give your express consent to the company or the parent company or any company within the group or to any agent of the company, to withhold any tax required to be paid by you for any benefits under the Plan. You expressly authorise, where required, the local company or the parent company to sell any shares acquired under the Plan on your behalf to cover the tax payable or retention from your salary”



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Other Consents

- Consent to deductions from salary
 - In writing
 - Can be challenged
- Consent to allow company to change the plan
 - In writing
 - Can be challenged



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Acquired Rights and Employment Issues



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Effective Exclusion Clauses (Juan): Typical Exclusion Clauses

- Termination of Employment

“If the Participant’s employment with the Company and its Affiliates is terminated for any reason, then the [equity awards] shall be completely forfeited on the date of any such termination.”

- No Acquired Rights to Future Grants

“The grant of [equity awards] shall not confer on the Participant any right to future awards.”

- No Labour Effects

“This [equity award] is not an employment or service contract and nothing in this award shall be deemed to create any obligation on your part to continue in employment or service with the Company, or on the Company to continue your employment or service.”

- Other Employee Benefit Plans

“Amounts received by a Participant with respect to any award shall not be included in, nor have any effect on, the determination of benefits under any other employee benefit plan, severance payments or any other similar arrangement provided by the Company.”



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Exclusion Clauses: Legal and Cultural Background

- Labour and employment laws in certain jurisdictions are of “public order” and cannot be contracted out:
 - Rights on termination of employment
 - Acquired rights
- Certain exclusion clauses are enforceable in some jurisdictions whilst others are not.
- The “one size fits all” approach may not serve in all jurisdictions where a company may be offering equity based awards.
- Careful consideration of local considerations when drafting grant agreements is necessary: may need a local grant document



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Effective Exclusion Clauses

1. Identify the countries where exclusion clauses clearly work.
2. In countries where exclusion clauses may be controversial, check whether an alternative contracting out arrangement is possible.
3. Identify whether one particular equity award may work better than others.
4. Draft a country- or region-specific grant agreement by changing as little as possible with the initial wording. In the event of inconsistencies, the terms and conditions of the Plan rule.
5. Translate into local language whenever there might be a problem with particular terms employed in the local grant agreement.
6. Communicate with and provide training with local management in order to maximise effective communication to local employees on specific issues giving rise to areas of concern.
7. Be prepared to certain claims.



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Communication Strategy

Communication Strategy



Communication Strategy

Understanding ABC PLC

- Culture
- Location of employees
- Communication barriers
- Objectives



Communication Strategy

Employee feedback

- Monitoring call centre calls
- Employee surveys
- Agree benchmarking



Communication Strategy

Review & agree key messages

Identify stakeholders

- Payroll, HR, Administrators

Communicate with stakeholders

- Web conferencing
- Translators



Communication Strategy

Agree appropriate communication

- Consider international diversity & culture
- Use tried, tested & proven methods
- Share best practice & library



Communication Strategy

Selection of appropriate channels

- Face to face
- Paper
- Telephony
- Online
- SMS



Communication Strategy

Two-way communication & evaluation

- Gather feedback
- Evaluate success

Use your grant communication effectively



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MORE EFFECTIVE Communication

- M**ake sure you cover all legal issues
- O**btain required consents
- R**eview all regulatory issues
- E**nsure legal compliance



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MORE EFFECTIVE Communication

- E**nsure you deliver key messages
- F**requently & in a variety of ways
- F**ully support staff to communicate
- E**ngage with stakeholders
- C**lear & concise communication
- T**ranslate locally
- I**mpact of communication
- V**alue employees equally
- E**ncourage active feedback



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QUESTIONS?

Thank you



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