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<table>
<thead>
<tr>
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<th>AGENDA</th>
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<td>1</td>
<td>EU Directives and Developments</td>
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<td>EU securities laws</td>
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<td>Executive remuneration</td>
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<td>General Data Protection Regulation (“GDPR”)</td>
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<td>2</td>
<td>Brexit</td>
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<td>France</td>
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EU Directives and Developments
European Union Updates on EU Prospectus Directive

Updates

- Pursuant to Regulation, even issuers not listed or incorporated in the EU will be able to rely on Employee Share Plan Exemption.
- From July 21, 2018 the exclusion from the prospectus requirements will be reduced from offerings with a value of EUR 5 million to EUR 1 million.
  - Query whether this limit will be increased up to EUR 8 million.
  - UK position.
What happens when launching into the UK after Brexit?

- Current employee share exemption only allows companies which are EU headquartered or registered or listed on an EU regulated market to take advantage of it.
- Expectation that at least current exemption will be amended so as to allow UK registered/.headquartered companies and companies listed on the London Stock Exchange to take advantage of it.
- Hope that the UK exemption will be widened so as to allow all companies to comply.
- The UK Government has traditionally been favourable to employee share schemes, but more lobbying is needed.
Developments in EU/UK Securities Laws

Brexit complications…

What happens when UK companies launch share plans into the EU after Brexit?

- Possible gap (if the transitional period falls away) from March to July 2019 when UK companies will not be able to rely on the employee share exemption (as it will be non EU listed/ registered/ headquartered)
- Possible contingency planning
  - Ensure enrolment periods are outside March to July 2019 period – bring forward?
  - Suspend ability to increase contributions and new enrolments in this period
  - Reliance on other exemptions? 150 person exemption/ threshold exemptions
The Shareholders' Rights Directive is being implemented across the EU in 2018

Key area is the disclosure of director remuneration in the Remuneration Report and approval of a Remuneration Policy for directors

Similar to existing UK regime

It is expected that all annual reports for financial year 2019 will comply with the new rules
Executive Remuneration
Remuneration Policy

- Binding vote at least every 4 years (though member states can make advisory)
- Any payments made to directors must be in accordance with approved policy
- Detailed disclosures, including (for instance):
  - different remuneration elements and their weight
  - KPIs
  - Vesting, retention, deferral periods and clawback
  - main terms of contracts with directors
Executive Remuneration
Remuneration Report

- Annual advisory vote
- Detailed information on individual director remuneration. Any payments made to directors must be in accordance with approved policy.
- Minimum standardisation requirements regarding format to be published by the EU Commission.
Executive Remuneration Action Points

- Prepare now
  - Explain to board upcoming regime
  - Look at UK examples - see what your disclosures will look like
  - Deal with difficult issues in advance

- Be ready for increased shareholder activism
  - UK regime has led to shareholder revolts firstly on structure of remuneration, disclosure of performance targets and uses of discretions and now on quantum of remuneration
  - Deal with difficult issues now - are there any arrangements you would not want shareholders to vote on
  - Know your company - remuneration policy should align with strategy
  - Communication with shareholders and institutional representative bodies is key (well in advance)
**GDPR | Consent**

Key issue for share plans – No longer able to rely on short-form consent provision across EU countries

**Key requirements:**

<table>
<thead>
<tr>
<th>FREELY GIVEN</th>
<th>SPECIFIC</th>
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<tbody>
<tr>
<td>Performance of contract not conditional on it</td>
<td>Clearly distinguishable from other matters</td>
</tr>
<tr>
<td></td>
<td>Clear and plain language</td>
</tr>
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<table>
<thead>
<tr>
<th>INFORMED</th>
<th>UNAMBIGUOUS</th>
</tr>
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<tbody>
<tr>
<td>Including the right to withdraw consent at any</td>
<td>Clear, affirmative statement</td>
</tr>
<tr>
<td>time</td>
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</table>

Including the right to withdraw consent at any time

Clearly, affirmative statement
Penalty if you get any of this wrong?

- Fine of up to 4% of global turnover

Alternative is reasonably straightforward:

- Data processing notice (plain language please)

PLUS

- Model clauses or Privacy Shield (US only) for extra-EU transfers
GDPR

We're finally here (effective from Friday, 25 May 2018!!!!)

Key steps now (if you haven't already done so...):

- Issuers should review terms in place with your administrator
- Who is responsible for compliance? (answer: you both are)
- Who takes liability for significant data protection issues? (answer: you both do)
- Update data processing statements
- Update grant agreements (consider withdrawing consent clauses)
Brexit
Vote was advisory - no direct effect on legislation in force
Market turmoil
Latest update

Securities laws - employee exemption
EU legislation coming into force

Greatest impact is in the area of global mobility
Social security contributions
Immediate Impact (Business)

Key findings from Baker McKenzie survey of EU 27 businesses:

- more than half feel that their views are not well represented in the Brexit negotiations;
- over a third of respondents would like to see the UK punished for leaving the EU under the terms of any future trade deal – but they feel that business considerations overwhelmingly outweigh the desire for retaliation;
- three quarters of EU27 companies believe the EU should make concessions to the UK to secure a better trading relationship;
- almost half the companies we surveyed are already seeing an impact from the Brexit referendum in terms of trade, investment and movement of people within their organisations;
- only 45% of companies are preparing for the potential loss of preferential trade terms.
Immediate Impact (People)

- EU free movement still applies as it did before the referendum until the end of post Brexit Implementation Period:
  - 30 March 2019 to 31 December 2020
- Home Office says "no need for EU citizens living in the UK to do anything now"
Status of EU Nationals

- EU rights are acquired automatically by being an EU national exercising Treaty Rights as a "qualified person":
  - a jobseeker;
  - a worker;
  - a self-employed person;
  - a self-sufficient person; or
  - a student.
- Have a family member who is a "qualified person"
Agreement on rights for EU citizens and families "Settled status"

- People who, by 31 December 2020, have been continuously and lawfully living here for 5 years will be able to apply for 'settled status'*. They will be free to remain and have access to public funds and services and also to apply for citizenship.

- People who have not reached five years by 31 December 2020 can stay (apply for temporary status) until they have reached five years and then apply for "settled status".

- Family members living with or joining EU citizens by 31 December 2020 can also join and apply for "settled status" after five years.

- Those covered by the withdrawal agreement will be able to leave the host state for five years without losing the right to return (currently this is two years).
UK nationals in the EU

- EU free movement still applies as it did before the referendum until 29 March 2019;
- UK nationals lawfully residing in another EU member state will continue to be covered by the rights for EU citizens and families during the Implementation Period (30 March 19 – 30 December 20):
  - Travel /relocation between EU states and the UK will continue during implementation period.
  - Those covered by the withdrawal agreement will be able to leave the host state for five years without losing the right to return (currently this is two years)
  - Administrative procedures for residence documentation will be decided by each member state.
France
## France | Tax-Qualified RSUs – a 4th regime

### A new regime for qualified Restricted Stock Units (RSUs)

<table>
<thead>
<tr>
<th></th>
<th>Pre-Macron</th>
<th>Macron I</th>
<th>Macron II</th>
<th>Macron III</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Vesting period</strong></td>
<td>Minimum 2-year vesting period starting from grant</td>
<td>Minimum 1-year vesting period starting from grant</td>
<td>As Macron I</td>
<td>As Macron I</td>
</tr>
<tr>
<td><strong>Holding periods</strong></td>
<td>Minimum 2-year holding period starting from the vesting date</td>
<td>If the vesting period is less than 2 years from grant, a holding period is required to reach two years after grant.</td>
<td>As Macron I</td>
<td>As Macron I</td>
</tr>
<tr>
<td></td>
<td>Note: if the vesting period is at least 4 years, not holding period required</td>
<td>Note: if the vesting period is at least 2 years = no holding period required</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Employer social cost</strong></td>
<td>30% of the FMV or IFRS accounting value at grant. <strong>Due at grant date</strong></td>
<td>20% of the FMV at vesting. <strong>Due at vesting date</strong></td>
<td>30% of the FMV at vesting <strong>Due at vesting date</strong></td>
<td>20% of the FMV at vesting <strong>Due at vesting date</strong></td>
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</tbody>
</table>
### France | French-qualified RSUs | Taxation of the beneficiary

<table>
<thead>
<tr>
<th>Income tax</th>
<th>&quot;2012&quot; Regime</th>
<th>MACRON 2015</th>
<th>MACRON 2017</th>
<th>MACRON 2018</th>
</tr>
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<tbody>
<tr>
<td>Progressive rate up to 45%</td>
<td>Progressive rate up to 45%</td>
<td>&lt; 300,000 €</td>
<td>&gt; 300,000 €</td>
<td>&lt; 300,000 €</td>
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<tr>
<td>Application of rebate depending on the holding period</td>
<td>Application of rebate depending on the holding period</td>
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<tr>
<td>- 50% : 2 years</td>
<td>- 50% : 2 years</td>
<td></td>
<td></td>
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<tr>
<td>- 65% : 8 years</td>
<td>- 65% : 8 years</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Social contributions including &quot;CSG and CRDS&quot;</td>
<td>9.7% of which approx. 6.8% is tax deductible + 10% specific social contribution</td>
<td>17.2% on entire gain of which 6.8% is partially or totally tax deductible</td>
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<td>9.7% of which approx. 6.8% is tax deductible + 10% specific social contribution</td>
</tr>
<tr>
<td>Overall taxation</td>
<td>61,64%</td>
<td>Depending on the holding period:</td>
<td>Depending on the holding period:</td>
<td>61,64%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>- max 59,14%</td>
<td>- max 59,14%</td>
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<tr>
<td></td>
<td></td>
<td>- min 31,915%</td>
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Overlapping of the 4 regimes over time
**French granting company**

- Various qualified RSU regimes available depending on the date of authorization to grant the awards under relevant corporate law.
- The latest French-qualified RSU "Macron" regime applies to grants authorized by a shareholder’s meeting as of January 1st, 2018.

**Foreign Parent granting company**

if pursuant to the local legislation applicable to the granting company, the authorization of grant is not the exclusive jurisdiction of the shareholders, but for instance the board could authorize a grant with no shareholders approval at any time, then the adoption of the Plan and authorization given by the board will be sufficient for the application of one of the "Macron" French-qualified regime (i.e. no need to obtain shareholders approval).
Background
French tax residents responsible for paying their own income tax on compensation income, including income from equity awards, when filing annual tax return.

Update
Now effective 1 January 2019, income tax withholding system (Pay-As-You-Earn) to be introduced.

- Will require employers to withhold income tax on compensation income, including equity income on non-qualified grants
- Finance Act for 2017 provides details
- Be prepared to change procedures and any tax disclosures provided to grantees in France
What is in the scope of the withholding tax in 2019?

<table>
<thead>
<tr>
<th>In the scope</th>
<th>Not in the scope</th>
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<tbody>
<tr>
<td>Salary</td>
<td>Interest, dividends</td>
</tr>
<tr>
<td>Pension</td>
<td>Capital gain (securities)</td>
</tr>
<tr>
<td>Agricultural income</td>
<td>Capital gain (real estate)</td>
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<tr>
<td>Rental income</td>
<td>Salary income of French tax non-residents</td>
</tr>
<tr>
<td>Alimony pension</td>
<td>Salary income of foreign source eligible to a DTT tax credit to equivalent French income tax</td>
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**SALARY INCOME STILL EXCLUDED FROM THE 2019 WITHHOLDING TAX:**

- French-qualified stock-options/RSUs
- Salary income of French tax non-residents
- Salary income of foreign source eligible to a DTT tax credit to equivalent French income tax
In 2018, French taxpayers pay income tax on their 2017 income.

As of January 2019, they will start to pay 2019 French income tax on a monthly basis.

In order to avoid double tax payment in 2019 (i.e. payment of income tax on 2018 income and payment of 2019 withholding tax), they will be eligible to a tax credit ("CIMR") which will waive 2018 French income tax.

- The type of income eligible to a tax credit are limited to:
  - i. Income in the scope of the 2019 withholding tax (e.g. salary income, pension income, independent remuneration, etc.), and
  - ii. Which are non exceptional income (ex.: termination payment, non contractual remuneration).

However, there will be no tax credit available against interest, dividends, French-qualified RSUs(stock-options, capital gains. Such categories of income will remain subject to 2018 French income tax.
Background
Previously, investment income (dividends, interest and capital gains) subject to income tax (up to 45%) (following potential rebate depending on how long shares were held) and social tax at 15.5% rate (partially deductible). Shares were to be included in French wealth tax calculation.

Update
Flat rate on investment income – 2018
- Any additional capital gain will be subject to a flat 30% tax (combining 17.2% social taxes and 12.8% income taxes), regardless of how long the shares are held (capital gains).

Wealth tax
- French wealth tax now to be calculated on real estate assets only (excluding financial assets / shares).
Questions?
Jeremy Edwards is a Partner and Head of the Employee Benefits Group, specialising in all aspects of employee share plans. Jeremy has over 22 years' experience as a share plan lawyer and 2 years' experience as a corporate lawyer. Jeremy advises on all aspects of employee share plans, executive compensation and the taxation of employees.

Jeremy has substantial UK experience, including implementing plans for UK-listed companies and dealing with issues arising for UK-listed companies, including advising on executive remuneration developments, UK tax issues and the position on cessation of employment and dealing with share plans in the context of corporate transactions.

Jeremy has extensive experience in connection with the implementation of share plans globally and working with multinational clients.
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Stephen advises clients from various industries on a broad spectrum of employment and employee benefits matters, including employee tax and share schemes. He also advises on the data protection aspects of outsourcings, reorganizations, integrations and general M&A, as well as on global employee mobility issues.

Stephen also has substantial experience in litigation related to employment and employee benefits. He has represented clients in numerous cases before Employment Tribunals, as well as in appeals at all levels up to and including the Supreme Court of the United Kingdom and the European Court of Justice.

Geoffrey Poras experience is focused on international mobility, international income tax and social security, compensation of employees and key executives and employees share schemes. He advises multinational companies and key executives on these topics. Geoffrey Poras has joined the Tax Group of Baker McKenzie since Paris in September 2015.

Before joining Baker McKenzie, Geoffrey Poras has been Manager at Ernst & Young where he started his professional activity in October 2007. Geoffrey obtained a Master in Business Law (University of Paris XII) and was admitted to the Paris Bar in 2009.

Rankings

- **Legal 500 2016**
  - The group is ranked Tier 2 in tax.