

WHITEPAPER CONFERENCE: SHARE PLANS AND EMPLOYEE INCENTIVES

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WHAT WE WILL COVER TODAY

Shaping New Developments into Solution-Focused Answers for Clients

“How do you leverage new opportunities presented by Company Share Option Plans (CSOPs) to incentivise employees and gain a competitive edge for your clients?”

WHAT IS A COMPANY SHARE OPTION PLAN?



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WHAT IS A COMPANY SHARE OPTION PLAN?

How quickly can we summarise a CSOP?

A CSOP gives you the option to buy shares in the future at a fixed price.

You will not pay Income Tax or National Insurance contributions on the difference between what you pay for the shares and what they're actually worth*.

You may have to pay Capital Gains Tax if you sell the shares.

*Terms and conditions apply

SOME OTHER POINTS TO NOTE

What else should we remember as think about what has changed?

ADDITIONAL BENEFITS OF A CSOP ARE:

- ▶ Potential CT deduction for the gain (a benefit of options compared to shares).
- ▶ HMRC will agree the value of the shares before the option is granted.

CONDITIONS:

- ▶ Exercise price must be \geq share value at grant.
- ▶ Company cannot be under the control of another company.
- ▶ Exercise must usually be $>$ three years from grant. There are exceptions.



WHAT HAS CHANGED?



WHAT HAS CHANGED

One of the few surviving pledges from the “mini-budget”

- ▶ The CSOP options limit has doubled from £30,000 to £60,000.
- ▶ The ‘worth having’ condition, which limits which types of shares are eligible for inclusion within a CSOP scheme, will be removed.*
- ▶ Changes to the share options limit will now be achievable through secondary rather than primary legislation.

*Paragraph 20 will be omitted. This will remove the requirement for eligible shares to be either employee-control shares or open market shares unless the eligible shares are shares in a company whose ordinary share capital consists of shares of one class only (the ‘worth having’ condition).



FROM WHEN?

When did this take effect from?

These changes will have effect for share options granted under CSOP schemes on or after 6 April 2023.

Existing CSOP options granted before 6 April 2023 will also benefit from these changes.



WHAT IS THE POLICY OBJECTIVE?



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What/who does the Treasury think this is for?

“This measure supports companies to attract talent and ultimately grow and succeed, by expanding the availability and generosity of CSOP. This will allow companies to offer their employees a greater stake in the company, so employees can share in their employer’s success.”

“The changes will help companies that have grown beyond the scope of the Enterprise Management Incentives (EMI) scheme to offer more attractive share-based remuneration, supporting these businesses to recruit and retain key talent.”

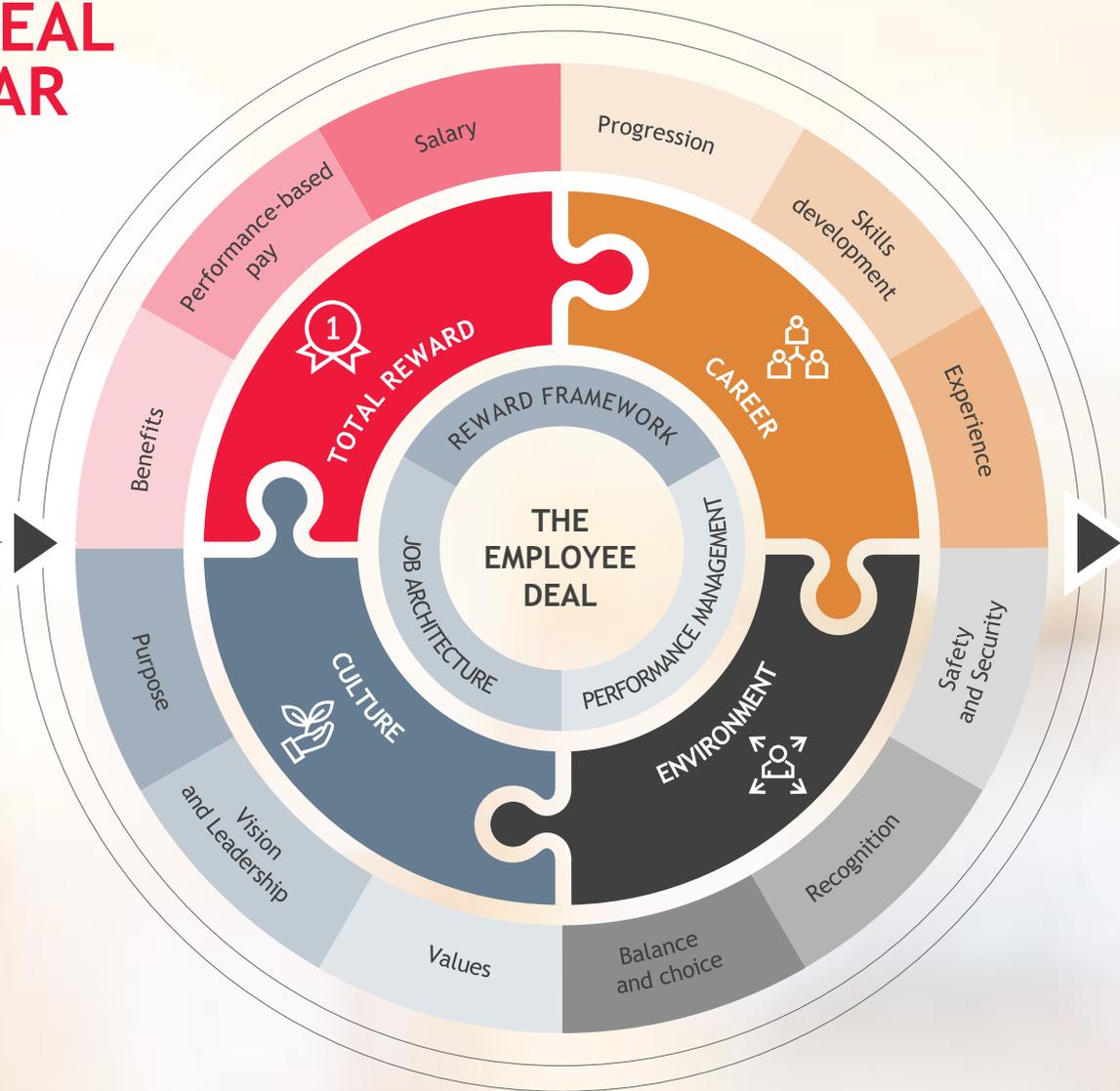
A woman with short grey hair and glasses, wearing a light blue shirt, is sitting at a desk and looking at a computer monitor. A man with a beard, wearing a mustard yellow shirt, is sitting next to her, gesturing with his hands as if explaining something. The office is bright with natural light from a window in the background. There are plants and a whiteboard on the desk.

**WHAT DOES THIS POLICY
OBJECTIVE MEAN IN
PRACTICE?**

YOUR EMPLOYEE DEAL IS YOUR NORTH STAR

DRIVERS:

-  Business strategy
-  HR strategy & Organisation
-  External market environment



OUTCOMES:

-  Employee engagement
-  Retention
-  Productivity
-  Customer satisfaction
-  Financial performance

THREE FACT PATTERNS (AND SIX POINTS) TO THINK ABOUT



Type A

“Meet the qualifying conditions for EMI”



Type B

“Now qualify for CSOP but did not before”



Type C

“Always qualified for CSOP but now looking at the higher limit”

TYPE A

Meet the qualifying conditions for EMI

01 If you qualify for EMI (size and other restrictions), then this should be your first choice

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TYPE B

Now qualify for CSOP but did not before...

02 SAYE “lite”

03 2nd tier MIP

04 CSOP options over “growth shares”



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TYPE C

Always qualified for CSOP but now looking at the higher limit...

05 2nd tier PSP or RSU alternative

06 US Sub plans



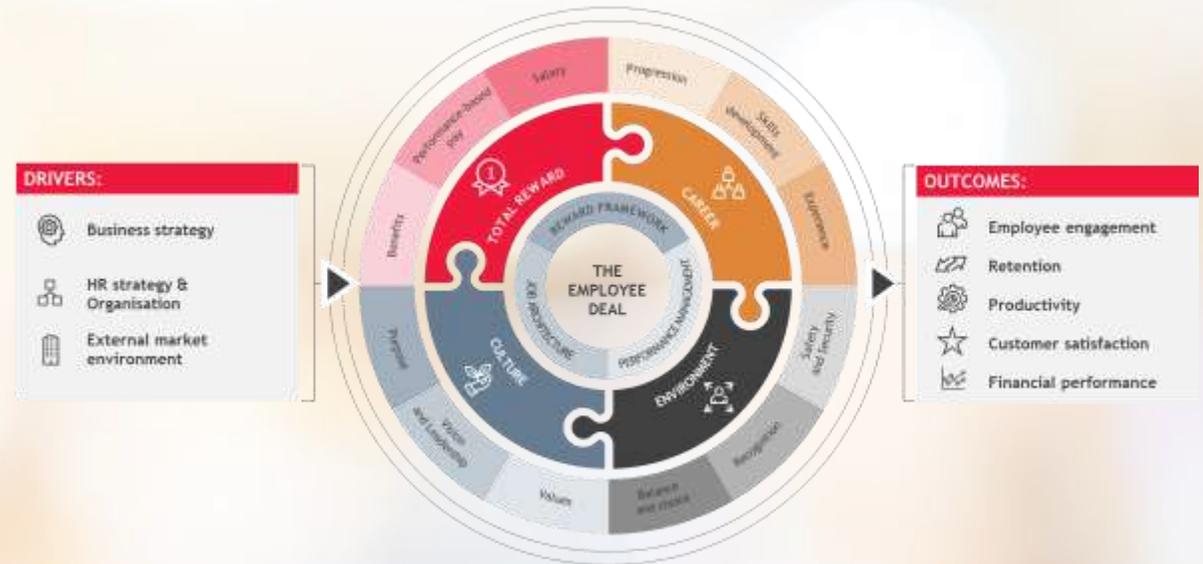
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CONCLUSION

Don't go looking for a way to use a CSOP as part of your employee deal.

Try to work out if a CSOP is a better way of delivering a pre-existing commitment or making good on a "gap" you knew required fixing...



Q&A

ABOUT DAVID ELLIS



DAVID ELLIS

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David helps organisations with their strategic people issues, particularly during periods of disruption or transformation. He has built and led consulting businesses for over 25 years. David's deep expertise lies in the creation of reward and broader people strategy to support business success. To bring that to life a little, he spends much of his time engaged in:

- ▶ Executive compensation consulting for management teams and remuneration committees
- ▶ Strategic reward reviews for larger private or listed organisations - looking at pay and grading, job evaluation and the cascade of reward strategies throughout a business
- ▶ Transactions - including retention arrangements, the treatment of variable pay and equity arrangements on a deal and any related investment and exit terms, harmonisation of conditions and post deal incentivisation
- ▶ Performance management systems and processes including linkages to reward, learning and talent strategies.

FOR MORE INFORMATION:

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