

Your guide to DISCRETIONARY SHARE PLANS



Many companies choose to use Discretionary Share Plans to help them retain and motivate those key people within their business who will help them deliver their strategic objectives.

In practice this means that discretionary plans are often restricted to senior employees and directors of the company (non-executive directors are prohibited from participating in these plans).

Although these types of plan do not usually provide the tax relief available under the all-employee tax-advantaged plans, they do offer more flexibility in design and size of award, meaning that companies can create bespoke schemes to meet their own needs and strategic objectives.



Types of plan

➤ **Company Share Option Plan (CSOP)**

A CSOP is a tax advantaged plan under which an employee is given an option to buy a fixed number of shares in the future at a price that is fixed at the time the offer is issued. Employees can be granted up to £30,000 of CSOP options (value taken as at the date of award) and as a tax advantaged plan there is no income tax or National Insurance Contributions (NICs) to pay upon grant or exercise of the option.

➤ **Enterprise Management Incentive (EMI)**

This is a UK tax advantaged plan designed for employees or directors working for more than 25 hours per week (75% of their time) in a business. Options are generally more tax-efficient than shares because no tax is paid when they're granted – only when they're exercised. EMI goes further by offering various appealing tax reliefs on exercised options for both the company and its employees.

This scheme is intended to help smaller independent businesses realise their potential by attracting and retaining the best employees for long-term success. In practice, the key difference between EMI and non tax advantaged schemes is that valuations can be agreed with HMRC

➤ **Non Tax Advantaged Share Option Plan**

Non Tax Advantaged Share Option Plans are normally offered in circumstances where employees have already received their full allowance of tax advantaged options.

➤ **Long Term Incentive Plan (LTIP)**

Sometimes referred to as a Performance Share Plan ("PSP"), the LTIP allows certain individuals to be awarded shares after a set period of time (usually a minimum of three years), subject to certain specified conditions such as:

- remaining in employment throughout the period;

- the company meeting specific performance criteria (generally linked to increasing shareholder value, but not necessarily share price growth).

➤ **Deferred Share Bonus Plan**

Under a Deferred Share Bonus Plan all or part of an employee's annual bonus payment can be deferred and paid in shares at the end of the deferral period (provided they remain employed by the company). The deferred bonus is often incentivised by the prospect of receiving additional free matching shares (subject to service requirements and performance conditions).

➤ **Restricted Stock**

These are share awards that only vest once certain conditions (the 'restrictions') have been met. The shares are assigned a fair market value when they vest and treated as income. A portion of the shares are withheld to pay the amount of income tax due and the employee receives the remaining shares.

➤ **Phantom Share Option Plan**

A Phantom Share Option Plan is a cash bonus plan under which the amount of bonus payable is determined by reference to the increase in value of the shares subject to the option. No shares are actually issued or transferred to the option-holder on the exercise of the phantom share option.

➤ **Linked Awards**

These consist of a CSOP and an LTIP which are linked via the terms of the award documentation. At exercise the LTIP is scaled back based on the latest market price so that its pre-tax gain equals the exercise cost of the CSOP. The participant effectively receives the full value of each share but only pays tax on the value at grant with additional growth sheltered by the CSOP element.

Things to think about

By utilising these types of plan, companies on the full list of the London Stock Exchange are required to comply with the rules of the Listing Authority and the UK Corporate Governance Code. They are also required to follow the guidelines of representatives of institutional investors such as the Investment Association (formerly the Association of British Insurers).

Banks, building societies and investment firms may also be required to comply with the Remuneration Code issued by the Prudential Regulation Authority and the Financial Conduct Authority. Companies traded on the Alternative Investment Market ("AIM") are required to comply with the AIM Rules and although the Investment Association guidelines do not apply, they may choose to adopt similar principles to ensure appropriate governance or to honour previous commitments to shareholders.

YBS Share Plans Discretionary Share Plan Services

YBS Share Plans, in an exclusive collaboration with Investec Bank plc*, bring you a fully integrated administration and trading solution covering the full range of Discretionary Share Plans. Working together we offer a fully managed service which makes the entire process of making and managing discretionary share awards as simple as possible; freeing up valuable and costly internal resources.

Combining our expertise enables us to provide a seamless customer experience, which puts you in control. Employers and share plan participants can access the tools and information they need to manage their plans from anywhere at any time.

Key services

- ➔ Fully outsourced managed service
- ➔ Project planning and management – product launch or switch from another provider
- ➔ Dedicated account manager - stakeholder management and liaison with all third parties
- ➔ Communication - creation and management of plan communications
- ➔ Participant helpline
- ➔ Training and support- production of administration manual, training days can be provided
- ➔ Online or traditional voice broker services
- ➔ Real time and flexible self-service reporting
- ➔ Access to online self-serve reporting suite
- ➔ PDMR and Closed Period management
- ➔ Online award acceptances
- ➔ Direct settlement to participants in multiple currencies
- ➔ Document storage system

The participant online portal and support

Employees can view their portfolio and trade vested shares in real time. With Investec's institutional reach and market share (and no dependency on third party brokers) we ensure that participants always receive best execution on their trades whilst our professional corporate traders help maintain an orderly market.

Participants can:

- ➔ View all awards and full transaction history 24/7 via their own secure login
- ➔ View the Net Asset Value of their share plan(s)
- ➔ Accept awards and provide exercise, trade and other plan elections online
- ➔ Trade vested shares online or by telephone in 'real-time' (with limit price option)
- ➔ Access traditional voice brokerage service
- ➔ Use value calculators to model indicative pay out (pre and post-tax)
- ➔ Access all plan documentation (incl. award letters, Plan Rules, FAQ's) via secure online document library
- ➔ Download statements
- ➔ Receive notification of awards and upcoming Closed Periods
- ➔ Be assured that all data is stored in a secure environment
- ➔ Receive net sale proceeds to their bank account in multiple currencies

Company administrator portal and support

From a company perspective our administration portal helps reduce the risk and ease the burden of managing Discretionary Share Plans. Our simple and easy to use administration portal will put you in control, allowing you to much more effectively and efficiently manage Closed Periods and PDMR reporting in addition to approving trades, tracking leavers and joiners and accessing management information and reports.



Our Share Plan System (SPS) platform provides:

- ✓ Secure administration portal access with flexible user permissions
- ✓ All award and transactional information in one place; no more spreadsheets
- ✓ Performance conditions and dividends captured in one place
- ✓ Full sight of participant orders as they are placed (including trade and payment approval)
- ✓ Straight through settlement which allows payment to be made directly to the participant or via the company (depending on company preference)
- ✓ Continuous workflow status and real time monitoring reports
- ✓ PDMR and Close Period management
- ✓ Participant data management– e.g. employment status, tax residency, personal details
- ✓ Calendar functionality detailing future events
- ✓ Easy import functions to upload award data and employee information
- ✓ Performance tracking functionality
- ✓ Tax rate flexibility
- ✓ Access to live self-serve reporting suite (updates can be viewed in 30 seconds with no waiting for overnight routines)
- ✓ 'Call to action' functionality to communicate key events to participants
- ✓ Automated calculator for participants showing LTIP adjustment for Linked Awards

WANT MORE INFORMATION?

If you want to learn more about YBS Share Plans and the types of share plans we administer you can contact us:-

🌐 ybsshareplans.co.uk

✉ business_development@ybs.co.uk

Watch our DSP product video to find out more information

📞 Bryony Padgett- Jones: 07395 849 230

📞 Beverley Johnson: 07789 617 790

📞 Michelle Merola: 07734 459 980

Follow us



Restrictions on Use/Disclosure Information and Data

This document is the property of Yorkshire Building Society ("YBS"). All information herein is confidential to YBS and must not be copied or disclosed to any third party without the prior written consent of YBS. The information contained herein may be used for evaluation purposes only.

Disclaimers of Liability

Whilst every effort has been made to ensure the accuracy of all information and statements contained in this document, such information may be subject to change. None of the statements in this factsheet constitutes a representation for which YBS can accept any liability.

Copyright© Yorkshire Building Society 2020.

*Administration services will be provided by YBS Share Plans. Dealing services will be provided by Investec. Investec and YBS Share Plans shall be responsible for the provision of their respective services only. The obligations of Investec and YBS Share Plans in relation to their services are several and not joint and neither Investec nor YBS Share Plans shall have any liability to any person in respect of the acts or omissions of each other in relation to the provision of their respective services.

YBS Share Plans is part of Yorkshire Building Society.

YBS Share Plans, Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ ybsshareplans.co.uk

Yorkshire Building Society provides share plan trustee and administration services, including deposit taking, all of which are subject to English law, with deposit taking being regulated by the Financial Conduct Authority. The provision of share plan trustee and administration services is not regulated by the Financial Conduct Authority. We are not responsible for share plan deposits held by local savings carriers outside the UK.

Yorkshire Building Society is a member of the Building Societies Association and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Yorkshire Building Society is entered in the Financial Services Register and its registration number is 106085. Head Office: Yorkshire House, Yorkshire Drive, Bradford, BD5 8LJ.

All communications with us may be monitored/recorded to improve the quality of our service and for your protection and security.

 **Investec**

 **YBS
SHARE
PLANS**