



# Your total rewards programme

**From hire to retire**

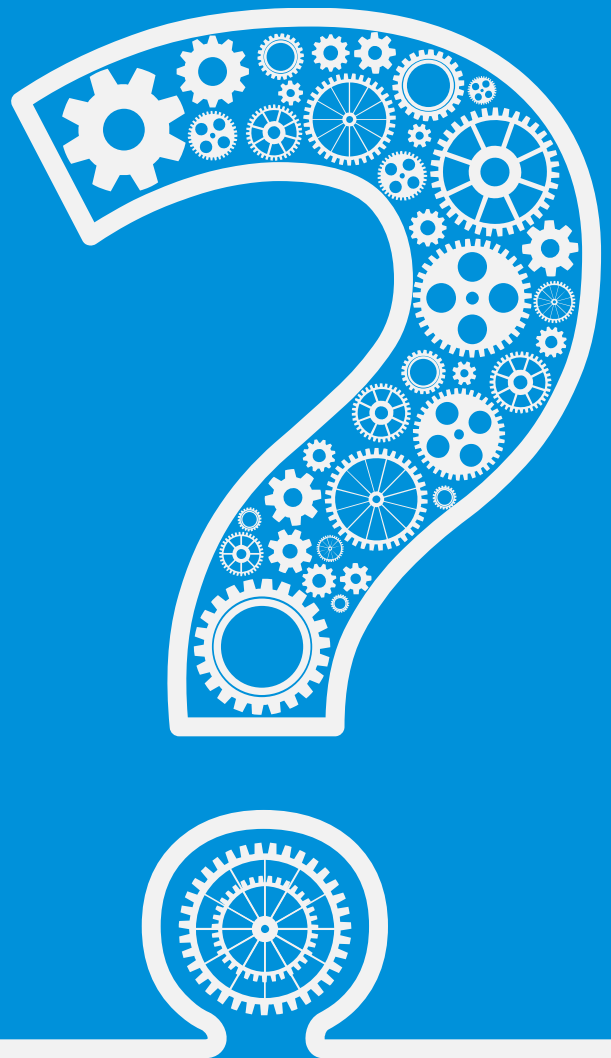
Personal Tax and Global Mobility Services



Industry experience | Practical insights | Global reach | Customised approach

# These are some of the key questions organisations are asking themselves. KPMG's Reward Services team can help you answer them.

- 1) How do we compete for talent in an increasingly competitive global marketplace (i.e. virtual/remote workforce by offering flexibility and employee choice programmes)?
- 2) In light of the disruption to work models following the COVID-19 pandemic, how do we position our rewards programme to accommodate the varying needs of today's workforce (i.e. millennials, Gen X, Gen Z, experienced employees, gig workers)?
- 3) Do we have the knowledge and means to design a total rewards programme that supports the lifecycle of our workforce, from recruitment to career development?
- 4) Do we need to adjust our executive compensation, overall compensation and other benefit plans?
- 5) Can we better manage costs, improve employee performance, boost company productivity and get a better return on our investment (ROI)?



# How KPMG can help

Organisations around the world are confronting disruption on many fronts, from the need to digitalise and plug skills gaps to the rapid growth of new work models. In these challenging times, strategic workforce planning is critical to their survival, resilience and growth.

From acquiring the right talent and improving employee retention to navigating complexities related to tax and cross-border mobility, our team of professionals can help devise coherent, holistic strategies for attracting, developing and retaining talent. Among the key challenges organisations face today are those associated with the design, implementation, administration, tax effectiveness and compliance of their total rewards programmes.

**A long-term incentive plan (LTIP) can be a great way of rewarding and retaining key team members and accomplishing business objectives. It focuses on:**



**Attracting top talent**



**Creating a sense of ownership over work and responsibilities among staff**



**Staff retention**



**Linking compensation to company performance**



**Encouraging strong performance**



**Recognising and rewarding good performance**

The LTIP underpins the long-term success of an organisation by attracting, motivating and retaining valued talent in a highly competitive environment. It rewards employees who help achieve strategic objectives and recognises their contributions, reinforcing staff performance and job satisfaction.

# Our services

We can help you navigate the complexities of long-term incentives, from inception/plan design through to implementation and ongoing support. Here are some ways in which we can assist you:



## AWARD DESIGN & STRUCTURING

### Core services

- Design an award (or awards) that is attractive to the participants and will help the company achieve its objectives. Specifically, the award can be designed to help companies take a holistic approach to Reward Strategies that builds in:
  - ✓ Clear linkage to business strategy
  - ✓ An understanding of the needs of the company
  - ✓ The needs of employees
  - ✓ Implementation and communications
- Advise on the types of awards and the terms of the award (e.g. eligibility, vehicle, value, KPIs, vesting conditions, clawback and forfeiture provisions etc.), and share our general observations on common practices, drawing from our experience.
- Advise on the employer/ employee/ corporate tax implications of the awards to the participants and the employers.
- Our skills in rewards structure design can help businesses formulate the most suitable LTIPs, taking into account various factors (including tax considerations) that are key to the success for any LTIP.

### Additional service

- If needed, we can also conduct research on plans operated by specific companies and/or remuneration packages for executives of specific companies (e.g. competitors or companies who are likely to compete for the same talent)



## DRAFT DOCUMENTATION

- Draft the plan rules and documents based on the award design work stream
- Provide your legal counsel with drafting instructions (e.g. a term sheet)
- Where KPMG is not involved in the award design and structuring, we can review the draft plan documents and provide advise whether the proposed incentive plan supports the desired outcome from the HR and tax perspectives

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## OTHER SERVICES

- Review the draft documents and advise whether the drafts support the anticipated tax outcomes
- Advise on the accounting treatment of awards granted under the incentive compensation plan
- Value the shares/equity interests for accounting and tax purposes (if applicable)
- Roll out the incentive compensation plan and explain the tax implications to the executives

# Key design considerations

We design each plan based on the specific objectives, needs, and circumstances of each client. The key considerations are discussed below.

## The objectives of establishing a plan

There are different types of awards which can be used to achieve different objectives:

- Attract/retain talent
- Incentivise executives
- Reward executives; and/or
- Require executives to co-invest with their own capital and have "skin-in-game".

We will design a plan to help the company achieve its objectives.

## Attractiveness to the participants

The attractiveness of the award to the participants and their total compensation package should be considered.

This can impact decisions regarding the terms and conditions of the awards and quantum of the awards (in comparison with other compensation items).

If needed, we can advise on this via conducting research from information available to the public (e.g. compensation disclosed in annual reports of listed companies).

## Types of award

Share or cash-settled awards:

- Shareholders' and investors' preference;
- Objectives of establishing the plan; and

Are there regulatory requirements, e.g., registration requirements with the authorities?

We will work with the company to help it determine the type of award to grant to the participants.

## Terms and conditions

Shareholders' rights (if applicable)

Vesting conditions, e.g. subject to continued employment and/or performance-based vesting conditions

Restrictions and/or requirements after vest, e.g. restrictions on transfer or requirement for leavers to sell their shares back to the company.

We will work with the company to help it determine the terms and conditions of the award.

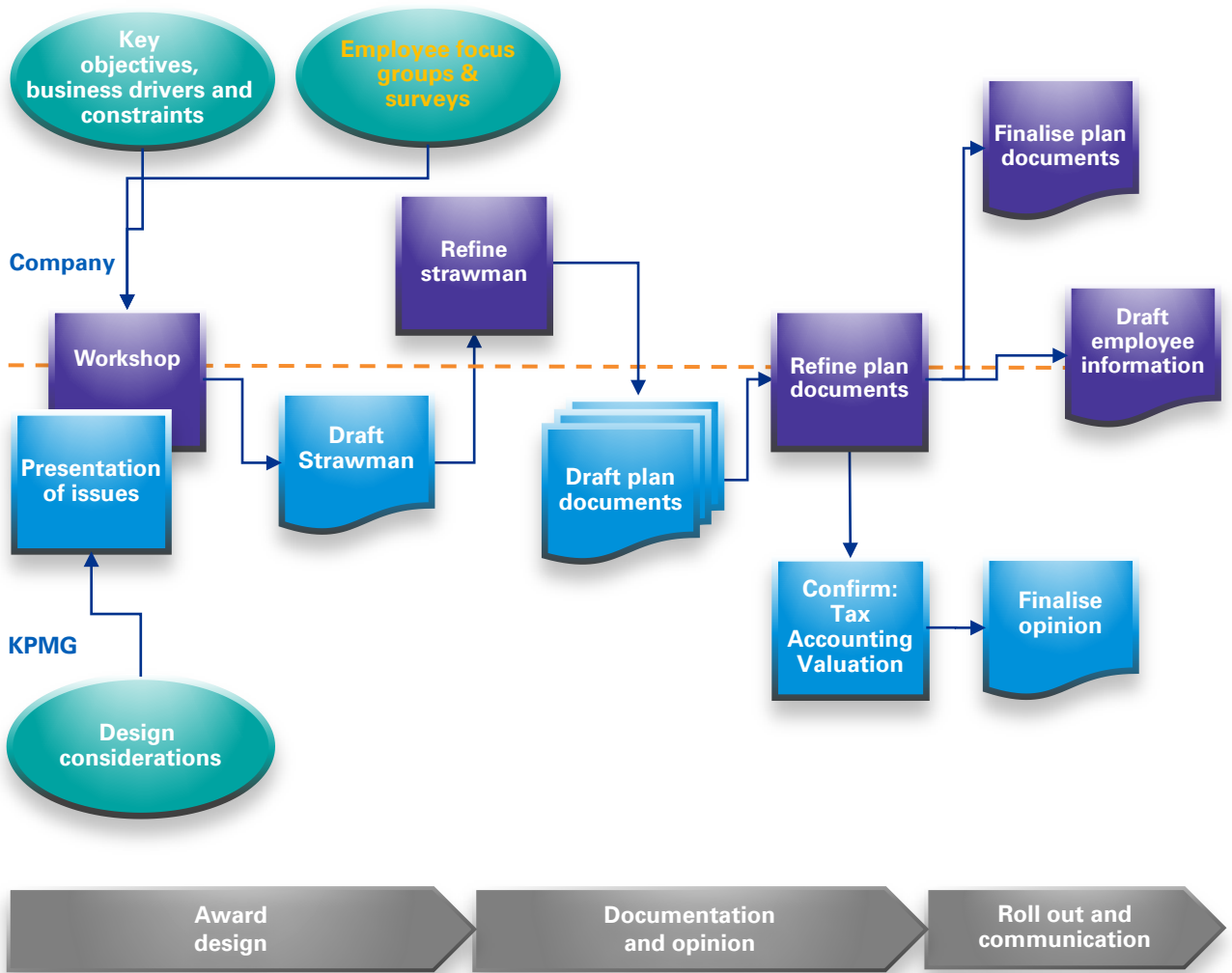
## Tax treatment

The employer/employee and corporate tax treatment are important considerations as these affect the alignment to the objectives of the award and attractiveness of the award for the employees.

The tax treatment will depend on the rules and practices in the locations in which the participants are subject to tax. This will have significant impact on globally mobile employees.

A taxable employment benefit will typically arise at some point during the award life cycle, e.g., when the participants acquire shares or receive cash payment on settlement of the award.

# Overview of the process



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