

## Global Rewards Update: France – changes to rules for awarding qualified free shares

April 2014

### Background

Until recently, the allocation of qualified free shares was not subject to any legal constraints in France, unless shareholders decided otherwise.

Additionally, companies could award free shares within the limit of 10% (or 15% for non-listed companies) of the company's ordinary share capital.

However, law n°2014-384 of March, 29th 2014, has introduced an allocation ratio between the largest and smallest awards of free shares and has also increased the maximum amount of free shares that can be awarded as a percentage of ordinary share capital. The new rules are applicable to awards granted on or after 2 April 2014.

Please note that these new provisions only apply to qualified free shares (i.e. no similar provisions have been introduced for qualified share options or non-qualified share plans).

### Introduction of allocation ratio for awards of qualified free shares

The difference between the number of qualified free shares awarded to each participant may not exceed a ratio of 5:1.

For example, in a group of employees, where one employee receives 100 free shares, no other employee may receive more than 500 free shares.

The scope of these new rules needs to be defined and clarified as it is not clear whether the new allocation ratio will apply for both all employee plans and discretionary plans. We will provide more information on this as it becomes available.

### Increase to the maximum volume of qualified free shares that can be awarded

The new law has also increased the limit of the total amount of qualified free shares that can be granted to 30% of the company's ordinary share capital (regardless of whether the company is listed or non-listed).

This new limit only applies where the free shares are granted to all employees. Therefore, if the free shares have not been granted to all employees, the limit remains at 10% (or 15% for non-listed companies) of the company's ordinary share capital.

This new law aims to provide companies with tools to fight against hostile takeovers, and to encourage employee shareholding.

## Action

Companies making grants of qualified free share awards now should consider whether they may potentially be in scope of the new rules.

As the scope of these rules is unclear, it is recommended that a case by case approach based on the specific facts is undertaken.

## People to contact

For assistance with this matter, or any other issue related to the operation of your global rewards plans, please contact your local Deloitte global rewards consulting services adviser or email us at [globalshareplans@deloitte.co.uk](mailto:globalshareplans@deloitte.co.uk), and a global rewards consultant will contact you.

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