

Solution spotlight | Employee share ownership plans

Kingdom of Bahrain | 4 January 2023



Employee share ownership plan (ESOPs) – which give employees shares in the company they work for – are increasingly seen as an effective way of increasing productivity and morale, driving better employee retention rates and aligning employee and shareholder interests, while also enabling excellent performance to be rewarded. As a result, they are becoming increasingly popular - in Bahrain and globally.

Plans	Shares awarded?	Source of shares
Direct stock purchase plan (DSPP)	Yes	<ul style="list-style-type: none">Treasury shares and/orBought from the market and or/New issues with pre-emption rights waived
Stock option – equity settled (SO)		
Restricted stock unit plan ¹ (RSUP)		
Stock option – cash settled (SO)	No	<ul style="list-style-type: none">n/a
Stock appreciation rights (SAR)		
Phantom stock plan (PSP)		

¹RSUPs are the most common ESOP in Bahrain

What approvals are required to launch an ESOP?

- Board approval
- Regulatory approval – for public companies in Bahrain, the CBB’s capital markets supervision directorate (CMSD)
- Shareholder approval

What are some key board considerations?

- Financial impact on the employer’s results
- Source of shares
- Legal framework

Who administers an ESOP?

- If structured as a trust (typically for RSUP and SO), the trustee administers the plan
- If not structured as a trust, the employer’s HR function or a third-party generally administers the plan

Which features need to be determined?

Senior management should recommend (and directors must approve):

- Categories/grades of eligible staff
- Frequency of awards
- Pricing method
- Maximum number of shares to eligible staff
- Vesting periods and proportions
- High-level performance criteria (individual, department and/or overall business performance – or a combination)
- Malus and clawback provisions

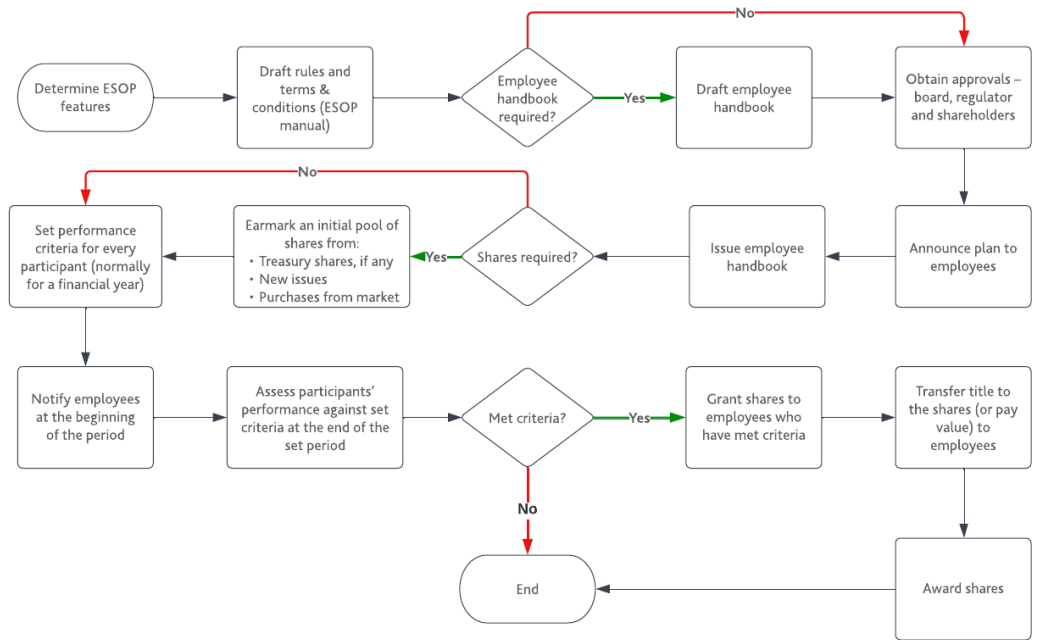
What does management need to decide?

- Detailed performance criteria - by grade/category - and performance levels
- Trustee/administrator (if required)
- Loan facilities (if employees are required to pay for shares)
- Process for plan decisions - plan owner and levels/areas of authority
- First year of application and launch date

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An indicative ESOP launch process:



How can Keypoint Trust help?

Licensed by the CBB as a trust service provider, Keypoint Trust B.S.C. (c) has been offering trustee and trust administration services since its establishment in 2008. Our broad range of trust services – from the establishment of employee ownership and incentive schemes to family trusts and succession planning for family businesses – are tried and tested. Our experienced, multi-lingual team – backed up by over 100 professionals in the wider Keypoint team – continue to support the development of Bahrain as a key provider of trust services. Our clients include listed and unlisted financial institutions, high net worth families and individuals, holding companies and charities.

As a trustee, we can:

- Advise on key terms based on local leading practice
- Draft rules and terms and conditions (ESOP manual and employee handbook)
- Draft trust deeds
- Establish trusts and act as an ESOP's trustee
- Administer plans

Contact us:



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