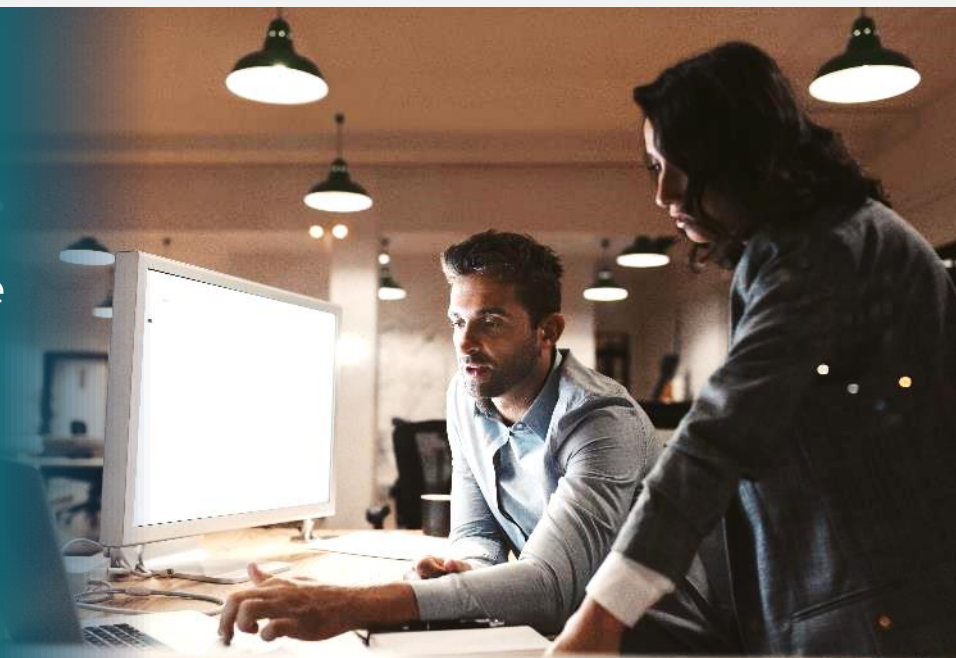




TaxPortal

Building a digital solution to reduce compliance burdens

The world's leading provider of software for corporate transactions and settlements



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SodaStream CEO Daniel Birnbaum (r) and PepsiCo's CEO Ramon Laguarta at the SodaStream factory in Israel's Negev Desert next to the city of Rahat on August 20, 2018. (Eliran Avital) Image Credit: Times of Israel

Learn how Reach deployed TaxPortal on a \$3.5Bn cross-border transaction to save significant time for all stakeholders.

Key points

- Eliminated paper tax forms, errors and delays by deploying a fully digital solution for Brokers and their clients.
- Shareholders received their proceeds from the acquisition faster.
- Brokers saved significant processing time per client and could provide real-time application status updates.
- Worked with multiple stakeholders in multiple jurisdictions to deliver on shifting requirements.

PepsiCo acquired Israeli company, SodaStream, for \$3.2 billion.

This transaction had unique compliance issues: Under Israeli law any Israeli citizen who owned SodaStream shares would have 25% of the proceeds withheld in tax by the government. Non-citizens were exempt - but they needed to lodge tax declarations and prove their citizenship by sending information to the Israeli government. Each Shareholder had wait for the approval process to take place before receiving their entitlements from the acquisition and this could take many months.

The current process is managed through brokers, and it creates a compliance burden. While brokers have the processes and infrastructure for standard corporate actions, such as dividend payments, the functionality does not tend to extend to unique cross-border corporate actions such as this.

In this situation, Brokers need to handle the process manually by sending forms to their clients to fill out. These forms would then be sent back to the Brokers, then to Computershare to complete

an information quality assurance check before then sending them to the Israeli Tax Office. The scanned forms are currently exchanged through a combination of emailed and printed forms, faxes and standard mail.

It created a series of issues. The first was that the process was time-consuming. Not only did it take time to get the forms distributed and filled out, it also took time to manage the process of making updates to forms if rejected in the QA checks. Second (and perhaps more significant) was a lack of transparency. Once a form was filled out and sent, brokers had no visibility of where it was in the process and how long their clients could expect to wait. Brokers would spend weeks fielding phone calls from clients asking where their money was - questions they couldn't answer!

Finally, brokers typically cannot charge for this service - so the administrative time their businesses spent on this process diminished margins.

With these issues in mind, Reach developed a fully digital solution now known as TaxPortal.



TaxPortal is an electronic system for processing tax instructions

Reach developed TaxPortal – an electronic system for processing tax instructions. Rather than distributing paper or large PDF forms which required clients to follow instructions to complete correctly and return... Brokers could send their clients a (secure) link to a pre-filled, personalized

tax form that allowed their clients to focus on filling in the gaps to lodge their declarations. Using field validation and conditional formatting, the submissions became so accurate that most of the shareholder declarations could pass through

each checkpoint to the Tax Office in the first attempt.

The Shareholder experience was a smart, easy to use online form that allowed them to complete their instructions in a few minutes on their PC or smartphone. The deepest value, however, was in the time savings and transparency TaxPortal provided to all parties - the Israeli Tax Office, the Brokers, the Registry and even the Shareholders - which came from having all the information in one single platform.

In a short description of the process, each Broker was given access to the TaxPortal. Once inside the portal they were able to use a proprietary email noticing system to send personalized links to their clients to capture their instructions.

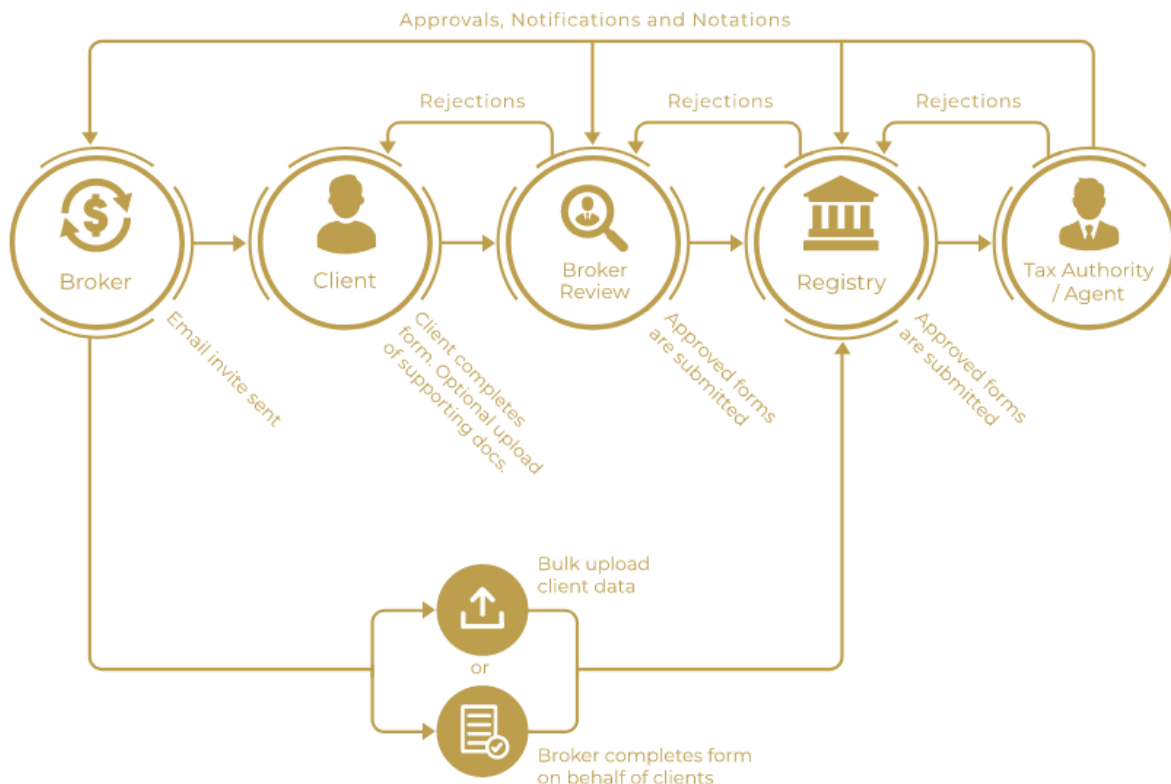
This information was returned to them in the portal for review. Accepted applications were

submitted to the Registry’s agents who conducted the quality assurance checks before sending to the Tax Authority agents for final review and the individual investor’s withholding tax determination.

The smart, electronic system meant that Brokers didn’t have to manage each individual client’s forms, attachments and resubmissions. Brokers could just log in and see the status of their clients’ application to provide immediate and accurate updates to their clients. The same went for the tax authority and Computershare. There is no double-handling of the information and certain aspects of verification can be automated.

TaxPortal’s built-in functionality allowed the Brokers, Registry and Tax Authority to review, approve, annotate and certify forms without need for phone calls or hundreds of emails with attached files.

Figure 1.1 – An overview of the workflow supported.



The portal has rigid information security and permissions hierarchy so that Brokers could only see their own clients' information. This extended as far as supporting sub-broker accounts within the same organization, so each sub-broker only had access to their specific client information.

A Broker-centric solution that reduced their compliance risk, delivered a better service to their clients, and saved them significant costs.

People on all sides of the acquisition, along with their respective law firms and bankers, were able to minimize disruption to their businesses and transaction delays by making it as quick and easy as possible for shareholders to declare and close the deal.

For Brokers, the solution represented major time savings. Where previously they were managing each individual form, they could now send a single email and set automated reminders. The transparency the portal offered of each submission allowed them to satisfy client enquiries quickly and accurately. Shareholders benefitted greatly too. First time approvals meant they were able to receive their entitlements faster. For some shareholders, this period of waiting had a significant financial impact as the balance of the shares represented hundreds of millions of dollars in personal or beneficial wealth, so reducing the transaction time frame created significant value.

“This process was a huge win for our clients, and we have received incredible feedback.”

-Fidelity

Why Reach?

Building a bank-grade solution that securely manages the separate (and often competing) workflows of these entities as they review, augment, validate and track each application requires Reach's unique skills and capabilities.

Efficiency, security, and data integrity were paramount as more than \$1Bn in withholding tax may have been held up by the government. This required the skills and experience in the financial sector that most agencies and development shops would not have.

On top of this, an online portal in this environment has added complexity that few organizations are capable of providing. This includes:

- Multiple stakeholders (such as lawyers from both PepsiCo and SodaStream, and regulators from the USA and Israel).
- Providing secure access and support to 150 of the USA's largest brokers
- Shifting requirements
- An immovable deadline

Reach was able to leverage experience gained from successfully deploying hundreds of projects in this space to deliver this highly acclaimed solution; - experience that was at times instrumental to the success of the system.

For example, the Israeli authorities initially required images of passports. Reach knew that brokers' clients would not want to send this information, so proposed a different solution. An organization without the deep knowledge of the financial world would not have been able to do this.

At the same time, they built the proposed passport solution while negotiating with the Israeli authorities about the (ultimately accepted) easier solution - to be 100% sure they could hit the immovable deadline.

We hope you have enjoyed reading this case study on the Reach TaxPortal technology. We are working to establish relationships with Tax Offices around world to bring the benefits of TaxPortal to other transactions.

If you are working on a cross-border deal or think this technology might add-value, please contact Reach to learn more about our TaxPortal service.



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