

OFFERING AN ESPP YOUR PARTICIPANTS WILL VALUE

**Employee Stock Ownership Plans &
Equity Compensation Conference |
October 26, 2018**

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The Computershare logo, featuring a stylized 'C' icon followed by the word 'Computershare' in a sans-serif font.



What to Consider when offering an ESPP?

- > Goals
- > Corporate and employee culture
- > Compensation and benefits structure
- > Corporate benefits and obligations
- > Plan features
- > Success factors

1 in 5 companies without an ESPP are considering implementing one.*



**Source: NASPP/Deloitte 2017 Domestic Stock Plan Administration Survey*

What are the goals for implementing an ESPP?

- › Employee ownership
- › Increase employee satisfaction
- › Incentive/reward
- › Competitiveness/retention
- › Generate cash flow to the company

What is your corporate and employee culture?

- › US and/or non-US employees
 - Tax implications
 - › Corporate
 - › Employee
 - Global mobility tracking
- › Locations
 - Office vs. field
- › Access to computers and emails
- › Financial savviness
- › Employee demographics

What is your corporate comp and benefits structure?

- › Other retirement programs offered
 - 401k
 - Pension
 - Profit sharing
- › Long term and short term equity compensation eligibility
- › Employee ownership
- › Corporate benefits and obligations
 - Cash flow
 - Tax deductions
 - Share depletion
 - Expense

Design decisions on plan features

- > Eligibility
- > Offering period
 - 6 month offering most common*
 - > Followed by 3 month and 1 month; longer durations are on decline*
- > Purchase period(s) - Stock price and volatility
- > Contributions
 - Payroll deductions/cash
 - Contributions in dollars or percentage of pay
 - Withdrawal/increases/decreases
- > Discount/match
 - Most common discount is 15%*
 - Positive correlation between discount amount and employee participation rates

**Source: NASPP/Deloitte 2017 Domestic Stock Plan Administration Survey*

Design decisions on plan features, cont.

- > Lookback
 - Qualified 423 Plans: 63% offer a lookback*
 - Nonqualified Plans: 52% offer a lookback*
 - > 39% calculate on purchase date price only (no lookback)
- > Holding requirement
 - Majority of companies with ESPPs report that participants hold purchased shares for at least 1 year*
- > Full or fractional share
- > Refund or rollover in extra cash
- > Cash dividend or reinvestment

**Source: NASPP/Deloitte 2017 Domestic Stock Plan Administration Survey*

How to measure success of your plan?

- › Measuring and meeting company goals
- › Ease of administration
- › Employee communication
 - US and non-US employees
- › Employee participation = employee satisfaction

6 Factors that Contribute to Higher Participation Rates*

- Offering period length
- Contribution reductions permitted during offering
- Offering a lookback
- Discount amount
- Automatic payroll contributions
- Quick sale programs**



**Source: NASPP/Deloitte 2017 Domestic Stock Plan Administration Survey*

***94% of companies don't offer a quick sale program; examine why the quick sale concept might be desirable to participants and seek to address underlying need. [NASPP/Deloitte 2017 Domestic Stock Plan Administration Survey]*

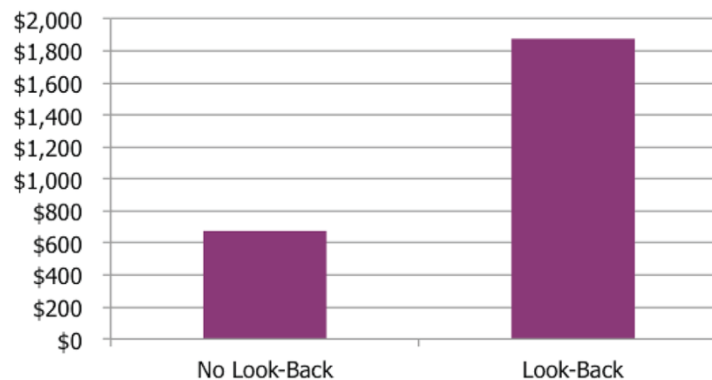
Offering a look-back

- > A recent study by Computershare and Aon found that companies offering plans with a look-back period see higher average contributions and participation rates

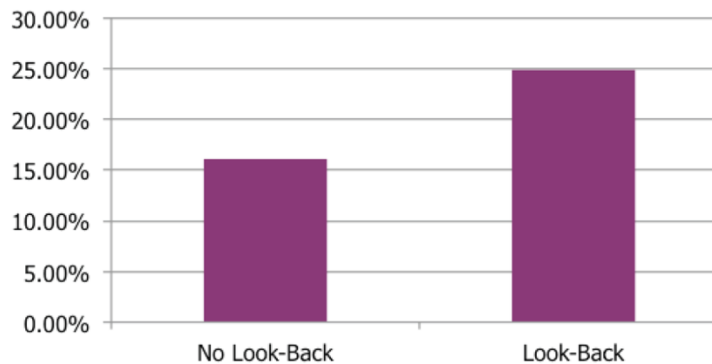


■ No Look-Back
■ Look-Back

Average Yearly Contribution

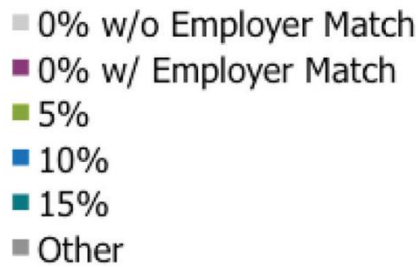


Average Participation Rate

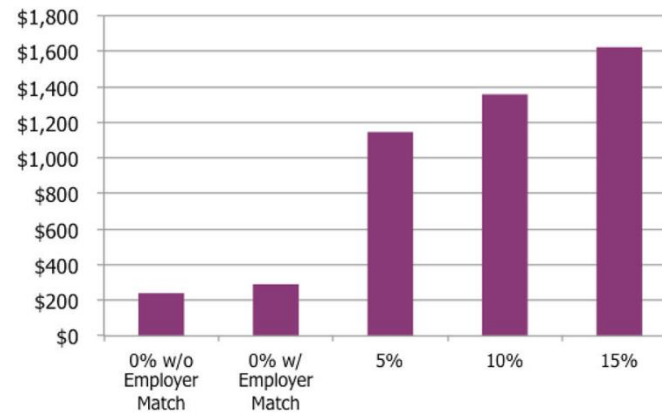


Discount amount

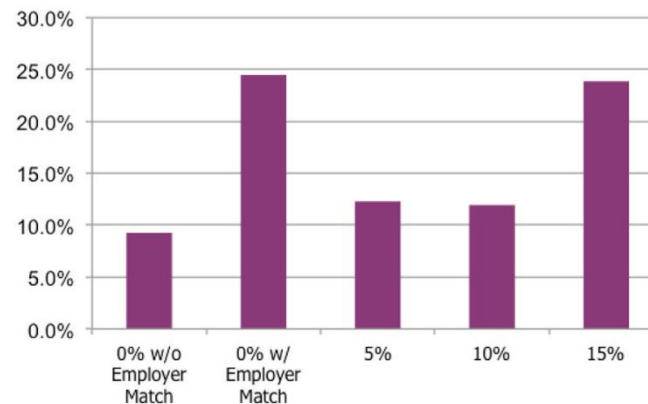
- > Companies that offer larger discounts under their programs see higher contribution and participation rates



Average Yearly Contribution vs. Discount



Participation Rates vs. Discount



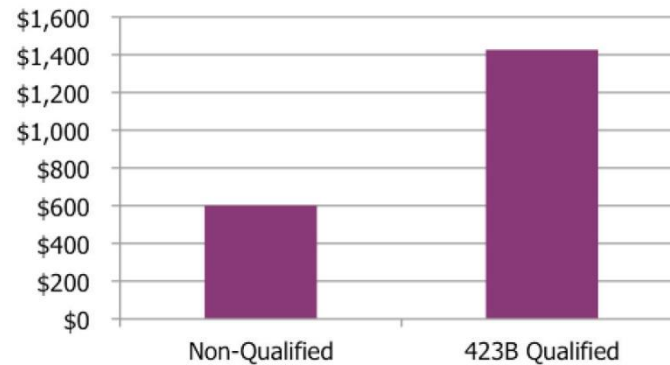
Plan Type

- Qualified plans are more attractive to participants than non-qualified plans, as qualified plans have significantly higher participation

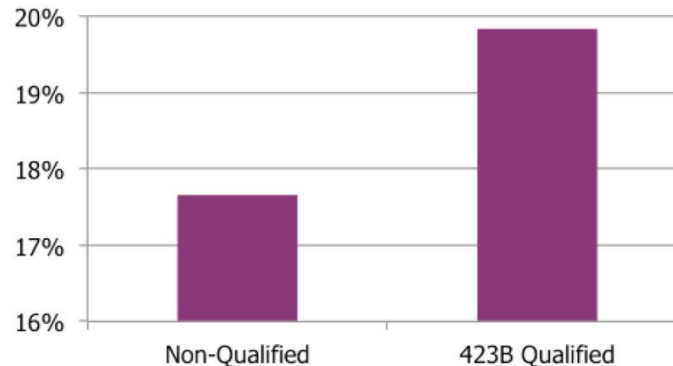


■ Non-qualified
■ 423B Qualified

Average Yearly Contribution vs Plan Type



Average Participation Rate vs. Plan Type



Is the plan effective?

- › Data collection to determine plan effectiveness
 - Number of eligible employees
 - Number of eligible employees who have participated in the past 24 months
 - % participation in current offering
 - Total amount of cash contributed during past offering period
 - Cost of shares purchased (not including the discount)
 - Total discount (in cash) provided to participants
 - Value of stock held by participants
 - Number of shares and number of employees who still hold shares at broker (1 month after purchase, 6 months after purchase, 12 months after purchase)

What questions should I be asking?

- › Do my employees understand the plan and are they enrolling to participate? If not, why?
- › How much money is the company collecting versus the cost of the plan (administrative costs, plan expense)?
- › Are employees holding the shares after the purchase? If not, why not?
- › Is employee participation increasing or decreasing? Does the stock price changes correlate with the change in participation?
- › What is the expense cost to the company for the last 12 months and last completed 3 fiscal years?

Where do you get the data?

- > Your plan provider
 - Stock plan reporting tool
 - Financial reporting tool
- > In-house
 - Human resources
 - Finance
 - Payroll

What to do next

- › Liaise with HR, Finance, Senior Management and the Compensation Committee on the best format for presentation
- › Develop a report
- › Meet with each internal team to review their reaction to the results
- › Identify any deficiencies or concerns
- › Develop a list of recommended changes in design, operations, and employee communications
- › Implement an action plan

Case Study – Indivior

Background

Indivior PLC (“Indivior”) is well-known in the pharmaceutical industry as the leader in addiction treatment. Founded in 1994 and publically traded on the London Stock Exchange, Indivior specializes in the development and production of remedies for drug overdoses and addiction. Their global headquarters are located in Richmond, Virginia. They are a client of Computershare.

Situation

Indivior decided to offer a new qualified employee stock purchase plan (ESPP) to its U.S. employees. They needed a communication campaign to educate their U.S. staff on what the plan was, how it worked, its benefits and how to get started. With only three months until the open enrollment window, the campaign had to support Indivior’s three goals for the ESPP:

- › Give employees a personal financial interest in corporate success
- › Encourage the “ownership” behavior this supports
- › Incorporate Indivior’s guiding principles – see it, own it, make it happen – into the materials

Although Indivior knew the messages they wanted to convey, they were unsure how to put together a campaign that could deliver. To help with this effort, they asked Computershare to develop a communication campaign that would introduce, educate and create excitement about the new plan.

Effective Communication Strategies

Multi-phase approach

Phase 1 – Awareness

- > Posters
- > Tent cards

Phase 2 – Education

- > Live on-site presentations
 - Multiple email invitations
 - PowerPoint built for presentations
 - Highlights sheet handed out
- > Brochure
- > Whiteboard video

Phase 3 – Ongoing

- > All material posted to company intranet



Effective Communication Strategy

- › Engagement from both management and employees
- › Informed and educated participants
- › Ongoing strategy for communication on the plan

43%
Enrollment

Wrap-Up

- › While you don't have to incorporate every favorable design feature, you do need to offer the right kind of program
 - Must meet the needs of your workforce
 - Contemplates the most valued features in the marketplace
 - Incorporates significant drivers to increase participation
 - Strong communications program
 - User-friendly administrative tool