

BEST PRACTICES FOR A SUCCESSFUL EMPLOYEE SHARE PLAN



There has been much written about how high-performing organisations use employee share plans to attract, motivate and retain top talent.

Companies that offer an employee share plan are giving their employees a stake in the business. When employees think like owners, they are more engaged and perform better at their jobs, which leads to improved financial performance for the company.

Whether your company has an employee share plan or is thinking of implementing one, here are **five best practices** to consider to help ensure its success.

1

Align your employee share plan with your company strategy

The most successful employee share plans are those that align with the company's overall strategy.

Companies that offer an employee share plan to “tick a box” without supporting it are unlikely to achieve the expected return on the investment in their plan. There are different considerations for executive plans and broad-based plans when aligning to the business strategy.

EXECUTIVE PLANS

Executive plans are a key part of the remuneration strategy for companies around the world. Your executive team and senior leaders are in a position to directly influence the bottom line by the decisions they make and actions they take. For that reason, most executive plans are performance-based, with the awards tied to achievement of the goals and objectives set upon the senior leaders. It is important that your executives feel they have control over their ability to deliver on the required outcomes.

Short-term Incentives (STIs) and Long-term Incentives (LTIs) are generally used by companies to align executive rewards with their company strategy. **Here are ways companies can use STIs and LTIs.**

Short-term Incentives

- › Linked to short-term strategies that are outside the “day job” of the executives. Examples include linking company’s Environmental, Social and Governance (ESG) goals to pay, such as reducing the carbon footprint, increasing diversity, or increasing community services.
- › STIs are linked to clear targets for Key Performance Indicators (KPIs).
- › Usually measured and awarded on a yearly basis.
- › Usually awarded in cash with a component of deferred equity preferred.

Long-term Incentives

- › Used to reward the long-term commitment of the executive members. LTIs help to retain talent and increase productivity and should reflect the overall performance of the company.
- › Non-financial metrics need to be clearly articulated and must be beyond the scope of an executive’s “day job”.
- › Awarded as deferred unvested equity with clear hurdles, targets, and maximum awards.



Broad-based Plans

Here are several ways companies are using equity to support their strategic initiatives:



Sign-on bonus to attract candidates



Retention mechanism – employees will receive shares if they remain with the company for a specified number of years



Bonus for successful completion of a project



Part of fixed remuneration – a portion of the salary is paid in cash and the rest as an annual allocation of shares

Now more than ever, candidates are looking beyond salary when evaluating potential employers. The Employee Value Proposition (EVP) is becoming an important part of the company's offering, and an employee share plan helps to demonstrate the value an organisation places on their people.

Most broad-based employee share plans are also used to retain talent, and these tend to be based on service or time. In addition, the plan can motivate employees and align their goals with those of the organisation. It is therefore important for leaders to communicate the connection between the employees' work and the company goals, and how individuals can contribute to the company's success.

KEY TAKEAWAYS

- › Be clear on your employee share plan strategy and the goals you are trying to achieve
- › Identify the employees you are targeting with your executive and broad-based employee share plans
- › Assess the level of investment required and the role the employee share plan plays as part of the larger Employee Value Proposition

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Actively communicate the benefits to your employees



Employees have varying degrees of financial literacy, and employee share plans can be complex for some people to understand.

Having appropriate education to clearly convey the plan benefits and engaged leaders who actively support the plan are important to increasing participation and renewal rates.

ENSURE LEADERSHIP SUPPORT

An engaged leadership team can make an impact, generating interest and excitement around your employee share plan. At the next town hall, have your CEO discuss the purpose of the plan, how it relates to corporate goals and how employees can participate in the success of the company. If you include video as part of your communication plan, feature the CEO – this is more powerful than hiring an actor to deliver the message.

SIMPLIFY YOUR MESSAGE

A low take-up rate for new employees or renewals for existing staff can indicate a lack of comprehension in how the plan works or the financial benefits of participating. Your communications should cater to the most basic level of understanding and be organised in a way that the more financially savvy can skip over the introductory information. The plan's legal and compliance requirements should be communicated in clear language, otherwise employees may think it is too difficult to participate.

USE MULTIPLE CHANNELS

Employees have different preferences for how they like to communicate, so when developing your communication plan, use a variety of channels. Email is popular, but not all employees have ready access to a computer – think retail, manufacturing and construction. But most do have a mobile phone, so texting can work well. In-person presentations and webinars in which participants can ask questions or a microsite available on the company intranet are also effective.

Computershare's communication solutions help you effectively talk to employees about your equity plan. With ENGAGE, you can launch an employee share plan campaign in as little as six weeks.



REGULARLY TALK ABOUT YOUR EMPLOYEE SHARE PLAN

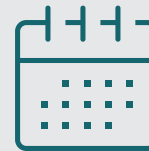
The organisations with the most successful employee share plans schedule ongoing communications. Too many companies endorse their plan during the annual enrollment or renewal period and once that's over, they forget about it until the following year.

To keep employee share plans top of mind you can send monthly email communications and text messages, hang posters in the break room, and post messages on the company intranet. Get management on board, and have them talk about the employee share plan at their team meetings.

KEY TAKEAWAYS

- › Provide information that is simple and easy to understand
- › Ensure your leaders are engaged
- › Regularly talk about your employee share plan

The organisations with the most successful employee share plans schedule ongoing communications.



Emails



Posters



Intranet messages



Text messages

3

Implement advanced, intuitive technology

Digitalisation is becoming increasingly important for companies offering employee share plans.

Your program needs to deliver an innovative technology solution that makes the plan easy for participants to access and for companies to manage.

IMPROVE THE PARTICIPANT EXPERIENCE

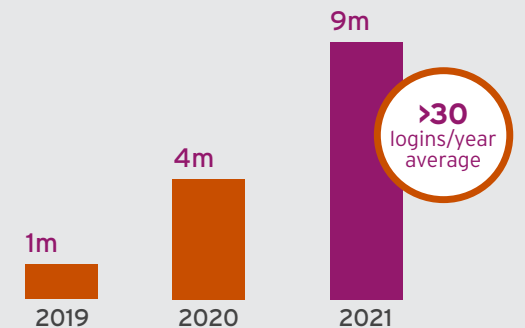
Participants expect the same online experience in their employee share plan as they have in other technology such as banking and shopping. The online plan environment needs to be intuitive and easy to use for even the least tech savvy employees. Participants need a platform that makes it simple to enroll, view and manage holdings, and transact.

Not all employees have ready access to a computer, but most people have a mobile phone. **This means a mobile app is critical for access and engagement.** Computershare's EquateMobile app puts the employee share plans in the hands of participants and delivers a seamless experience between desktop and mobile.

Users of the EquateMobile app are 3X more active than computer or web-based users.

EQUATEMOBILE LOGINS

We want to continue focus on real participant engagement.





SIMPLIFY EMPLOYEE SHARE PLAN MANAGEMENT

Implementing an advanced technology solution can streamline the everyday activities related to employee share plan management. Companies with hundreds or thousands of participants enrolled in their plan need to have a scalable solution that automates time-consuming and error-prone manual processes, and integrates with HR, payroll, and accounting platforms.

When assessing employee share plan management platforms, look for:

- > **A corporate portal dashboard** that enables you to access all the information you need in a single view, in real time.
- > **Easy access to the participant view** so you can view the participant portal exactly as an individual does, making it easier to answer queries.
- > **Access to real-time data uploads** so you can be in control of your data. Ensure you have direct access to update and monitor information.
- > **An employee lifecycle tool** that lets you plan ahead and project impacts on participant holdings as a result of their departure.
- > **Real-time reporting** that lets you schedule reports to run with pre-set filters, delivered straight to your inbox when you choose, or run reports on an ad-hoc basis with up-to-date data.

Computershare's EquatePlus platform delivers secure, effective management of employee share plans. Its self-serve capabilities offer new opportunities and insights on plan participation and performance, allowing you to focus on higher value business priorities.

KEY TAKEAWAYS

- > Offer technology that is intuitive and easy for participants to use
- > A mobile app is key to increasing employee engagement
- > Use a platform that gives you power to effectively manage your employee share plans throughout the entire plan lifecycle

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Stay compliant

Meeting the legal, compliance and regulatory obligations relating to an employee share plan is critical.

For companies with a global plan spanning multiple jurisdictions, this can be challenging.

Employee share plan data must be reported accurately and on time – there is no room for errors. Your company needs to provide the proper documents and reports, and the required information varies by region which can be arduous for in-house teams to manage.

An employee share plan provider with global reach and local expertise can alleviate some of these burdens. If the vendor is a regulated entity, they will have firsthand insight into the obligations of each country, and will generally be in contact with authorities to stay on top of legislative changes and alter reporting requirements accordingly.

A provider with an advanced technology platform will also offer the capabilities for your plan managers to automate much of the taxation and legislation requirements to streamline reporting.

Companies must track the tax obligations of their mobile employees participating in employee share plans. With **TaxConnect**, employee share plan participants have access to leading global tax advisors who **deliver real-time tax estimates to ensure compliance with local tax regulations.**

KEY TAKEAWAYS

- › Choose a partner with global knowledge and local expertise that has insights into regional regulatory and legislative requirements
- › Utilise advanced technology that can provide accurate data to meet your compliance obligations



5

Measure success

When designing an employee share plan, companies need to first identify the metrics to measure the program's success.

This helps management determine the data to track and ensures the platform can capture this information to report on results. The way success is measured will differ between an executive plan and a broad-based plan.

ESTABLISH PERFORMANCE MEASURES FOR EXECUTIVE PLANS

Executive plans are often measured on:



Alignment to overall business outcomes



Driving the right executive behaviours and outcomes



Support from shareholders

Shareholders, investors and proxy advisors closely monitor executive compensation, and it is therefore crucial that boards can demonstrate an **executive remuneration package that is well aligned to the interests of shareholders.**

If the CEO or other senior leaders receive a large number of share grants, the company must report on this. When the compensation can be tied directly to achievement of goals, it is easier to justify to key stakeholders, making the process more objective rather than subjective.





DETERMINE METRICS FOR BROAD-BASED PLANS

Important metrics for broad-based plans include:

- > Take-up rates
- > Renewal rates
- > Employee retention
- > Voluntary turnover

Your company can track the enrollment rates for new employees and renewals for existing employees.

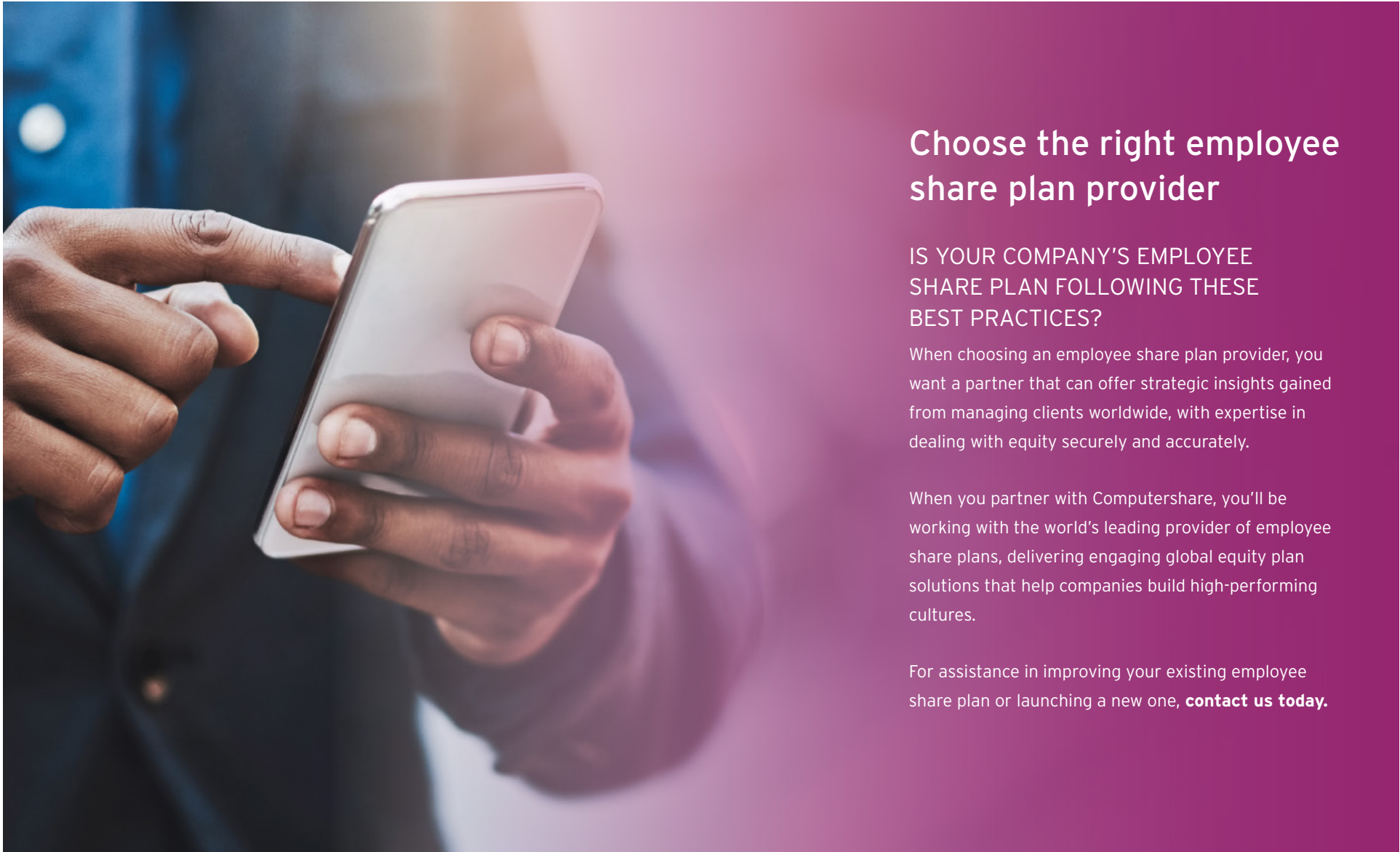
Tracking these additional metrics can show you what is working and what can be improved, for example:

- > What are the open and action rates for employee share plan communications?
- > How many participants attend webinars or in-person events?
- > How many employees are logging in to the employee share plan platform?
- > How often are they transacting?

In addition to the quantitative metrics, **there are also more qualitative measures plan managers should consider**. Are employees talking about the plan? Are they excited about it? The ultimate measure of an effective employee share plan is when it empowers employees to feel invested in the success of company.

KEY TAKEAWAYS

- > Define employee share plan metrics upfront
- > Relate executive compensation to delivery on business goals
- > Use quantitative metrics for broad-based plans but pay attention to qualitative as well



Choose the right employee share plan provider

IS YOUR COMPANY'S EMPLOYEE SHARE PLAN FOLLOWING THESE BEST PRACTICES?

When choosing an employee share plan provider, you want a partner that can offer strategic insights gained from managing clients worldwide, with expertise in dealing with equity securely and accurately.

When you partner with Computershare, you'll be working with the world's leading provider of employee share plans, delivering engaging global equity plan solutions that help companies build high-performing cultures.

For assistance in improving your existing employee share plan or launching a new one, **contact us today.**

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