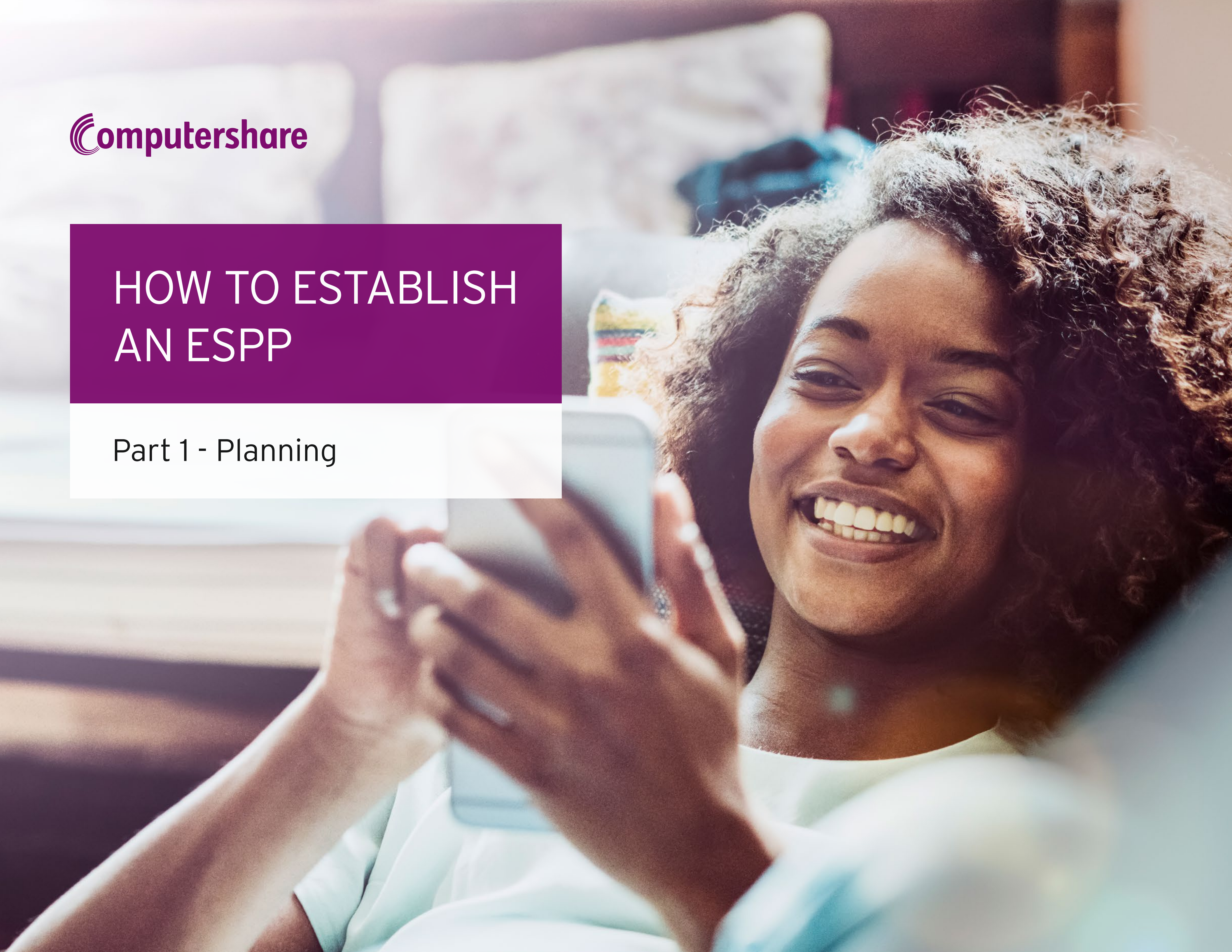


HOW TO ESTABLISH AN ESPP

Part 1 - Planning

Companies that can maintain employee engagement during times of uncertainty have a greater chance of flourishing, in part because engaged employees are more likely to come up with innovative ideas for saving money and generating new products.

An employee stock purchase plan (ESPP) is a great tool for boosting engagement and productivity (**as demonstrated in Computershare's London School of Economics Study**) while also insulating employees from macroeconomic disruptions for many reasons, including:

- Lower stock price = more shares purchased
- More shares owned at a potentially low price = greater upside potential if the stock price rises
- Encourages dollar cost averaging — purchasing smaller amounts of stock over a longer period spreads the cost basis out over several years, providing insulation against changes in market price and encourages regular investing of a specific amount of money
- ESPPs don't ever go underwater – where participants purchase at a discount on the price at the end of the offering period, even if the stock price has fallen sharply over the time employees have been putting away money to buy shares, they are still buying shares at a discount

If you don't yet have a plan, now is a perfect time to think about starting one!

This is the first of three articles, and outlines the initial steps to establish, design and implement an ESPP to support your talent strategy. Be sure to check out **Part 2 – Approvals** and **Part 3 – Launch**.

Step 1: Determine the Purpose of the Plan

A first step in designing an ESPP is to identify the goals of the plan. This provides overall guidance in establishing the selection of options and program design. It also gives your communications plan a distinct purpose to which you can hold yourself accountable long after the plan has been launched.

Think of your goals as your mission statement. What is your mission? What are you ultimately trying to accomplish with your program?

Some common reasons for offering an ESPP include:

- Attract and retain top talent
- Improve loyalty and motivation
- Increase employee production and morale
- Promote financial wellness and security
- Raise employee awareness in stock price performance
- Align employee interest with corporate performance
- Facilitate a means for employees to buy company stock
- Encourage stock ownership and provide an asset accumulation opportunity
- Enhance employee benefits
- Match competitive market practices
- Underline a broader company change, such as an IPO or turnaround (timely introduction of an ESPP may help energize employees to contribute to new projects, initiatives, etc.)

Step 2: Conduct Assessments

An equally important step in the process is to ensure your plan is competitive with your industry. That's why running a plan design analysis is so important. You need to understand how your proposed plan compares to the rest of your market and what your employees want out of your plan. To this end, you can glean valuable insights by doing the following:

A) Run a needs assessment with your current employee population. This usually involves an online survey or personal interviews. This survey should aim to answer questions such as:

- Have you ever participated in an ESPP?
- What kind of program was it, e.g., company match, discount, with tax sheltered/tax deferred components?
- In what areas were you satisfied with your past ESPP program? In what areas did it fall short?

Because many of your employees have come from organizations you compete with for talent, this survey can provide very valuable intelligence on how to design a competitive plan. It can also help you make a persuasive argument for increasing program spend and/or build your business case to management for the program.

A word of caution: While employee feedback will likely result in higher employee motivation and satisfaction with the program, this is true only if you are committed to using the feedback.

B) Gather market research. Find out what similar companies are offering and benchmark the plan features they are offering. You can do this by collecting industry surveys or studies, and working with your service provider partner to analyze overall client program best practices. See the **Computershare Participant Behavior and Design Study** for an example of the related types of research and analysis Computershare can provide. You can then thoughtfully report back to your team on how your proposed plan compares to industry peers. Once you've compared your options side-by-side, you should have all the information you need to choose the right benefits plan for your population. You also have data points to reinforce your decision, and leverage to request an increase in benefits spend if necessary.

C) Get information on local and worldwide tax laws and regulations to offering an ESPP. Resources such as the Baker McKenzie Global Equity Matrix are extremely useful in identifying general compliance issues and anticipating challenges.

Using the data collected from all the resources noted above, you can then begin to determine what are the most competitive and important plan design features for your program.

Need help with your assessment?

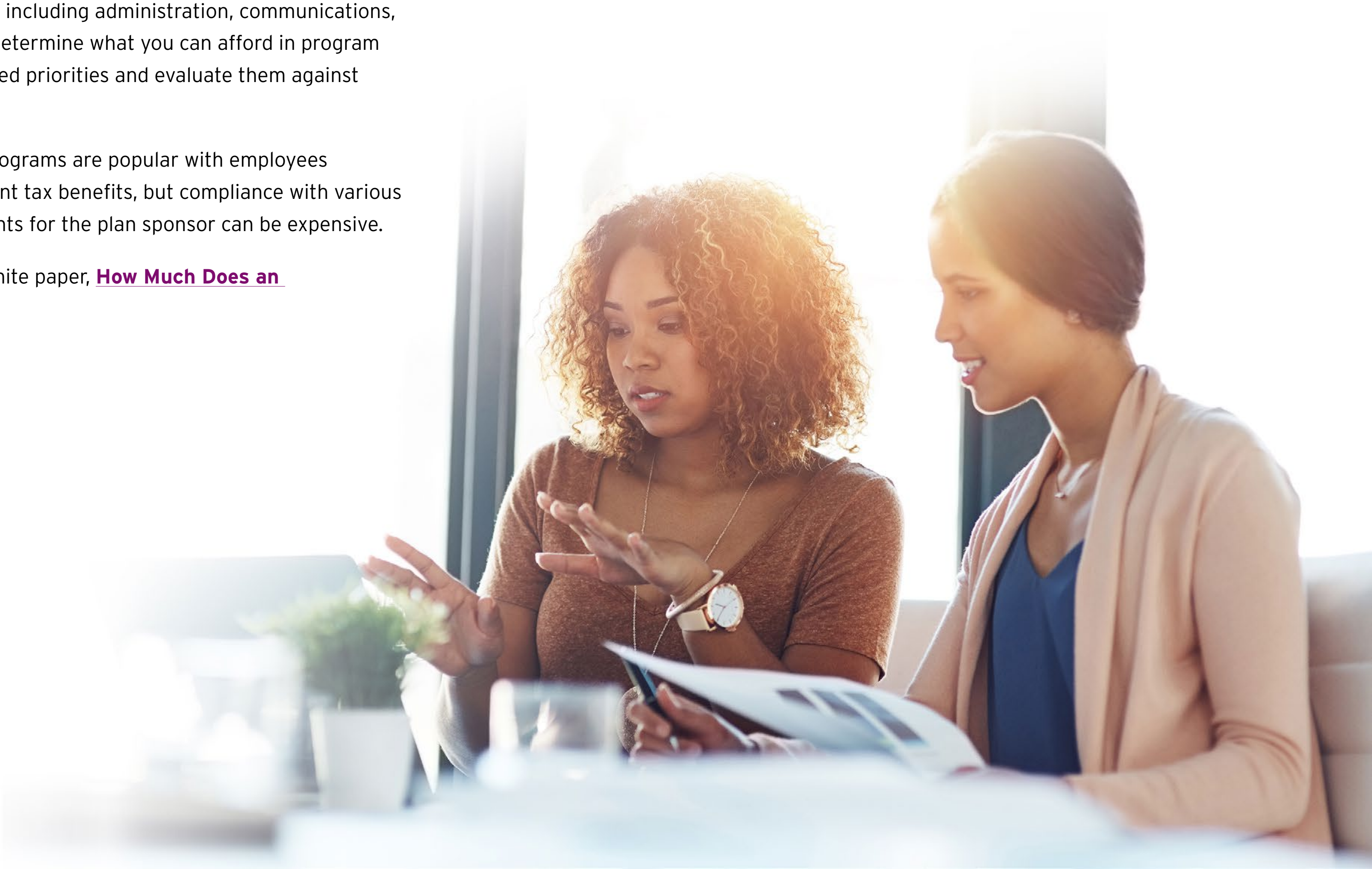
Computershare can advise you, utilizing research on the latest industry standards and best practices. Learn more at **computershare.com/espp-us**.

Step 3: Establish a Budget

Most companies have cost constraints in offering an ESPP, so it is important to determine the budget available for your program early in the process. Factor in all costs for the program, including administration, communications, etc. Once you have the numbers, determine what you can afford in program design components that are deemed priorities and evaluate them against your budget.

For example, tax qualified ESPP programs are popular with employees because they can provide significant tax benefits, but compliance with various tax reporting and filing requirements for the plan sponsor can be expensive.

Learn more in Computershare's white paper, **How Much Does an ESPP Really Cost?**



Step 4: Select ESPP Design Components

Due to the employer investment and the importance of the program in recruiting and retaining talent, companies should have a well-thought-out plan design that meets both employees' needs and company objectives.

A typical ESPP allows participants to contribute funds through payroll deductions over a set period. At the end of the period, the company takes the accumulated contributions and issues shares at a discounted price from the market value or in the form of an employer match.

The following are core plan design components that will require thoughtful consideration under any program:

- The type of plan you will offer, e.g., tax qualified (relatively rigid design) to nonqualified (unlimited design flexibility);
- The amount of discount or match;
- The offering and purchase frequency; and
- The amount and type of shares required to fund the plan, e.g., treasury, open market, authorized/unissued.

While plan design will influence the cost of your ESPP program, a truly impactful plan will reward and incentivize employees, promote loyalty, and boost engagement and productivity. Weigh design costs against your goals. Take the list of priorities you have from your employees, identify what you can do within the current budgetary parameters and then prioritize which design options fit your organization's culture and budget first.

Computershare can help get you up and running, from design to implementation to ongoing administration.

Contact **Bob Zeiher**, 973 985 8794 (Ontario, Quebec, Eastern Canada and Eastern US) or **Simon Thomas**, 778 997 1195 (Western Canada and Western US).

Learn more at **computershare.com/espp-us**.

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