HOW TO ESTABLISH AN ESPP

Part 2: Implement, Administer and Communicate

July 1, 2020

CERTAINTY | INGENUITY | ADVANTAGE

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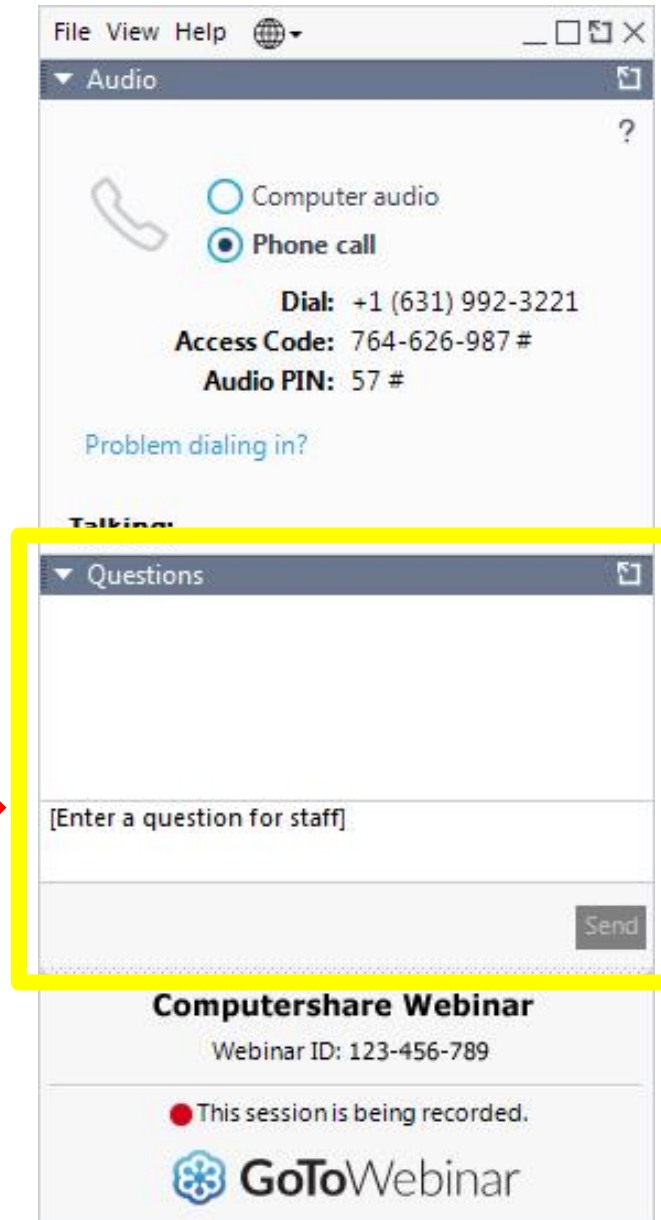
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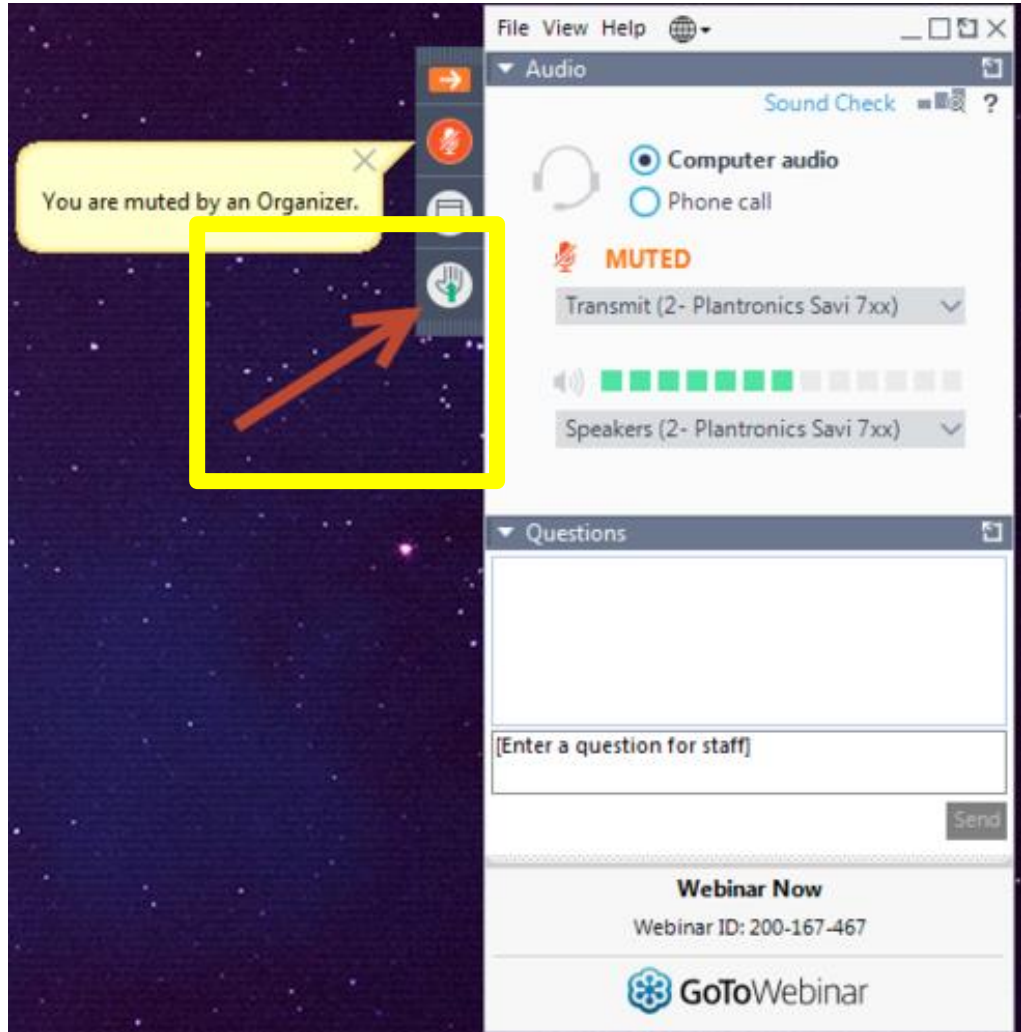Please raise your hand if you can hear us

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Introductions

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Agenda

Part II

- Recap Part I

- Select a Provider for Administration

- Implement the Program

- Communicate the ESPP Program

- Evaluate the Success of the Program

- Sample timeline to get your ESPP approved

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How to Establish an ESPP

Recap Part I: Design, Budget & Approvals

Steps 1 thru 6

- Determine the Purpose of the Plan

- Conduct Assessments

- Establish a Budget

- Select ESPP Design Components

- Stakeholder Approval

- Shareholder Approval

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Step 7: Select a provider for administration

Ensure you pick the right service provider

Industry experience/Business health/Company profile

- Assessing the technical and operational capabilities of potential providers is obviously important but take time to consider the financial health and profile of your shortlisted providers. The most compatible or most competitive technology is immaterial if the provider doesn't have a sound business.

Partnership/Consultative approach

- Best-in-class providers understand that they're not just supporting your technology, they are supporting your business. They start by asking a lot of questions about your operations and your strategic objectives.

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Step 7: Select a provider for administration

Ensure you pick the right service provider

User-friendly systems and reports

- Can they manage a range of administration tasks, including web-based enrollment, comprehensive reporting, and payroll integration?
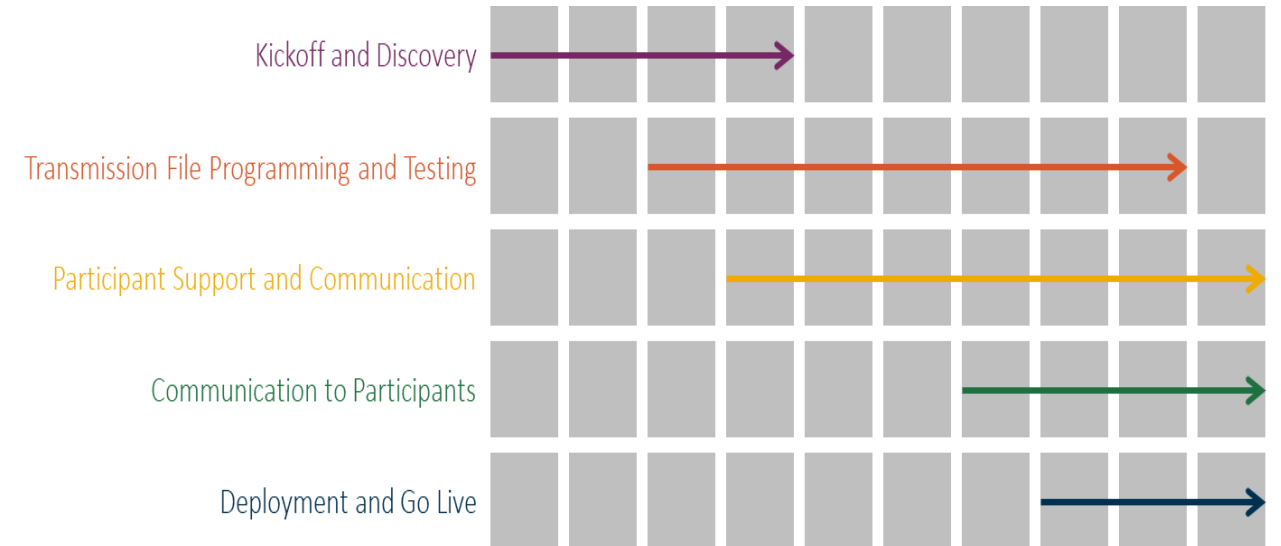
Fees

- Price is one of the last things you should consider.

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Step 8: Implement the program

Execution Matters

- Prepare an implementation project plan with timeline, deliverables and milestones to track progress

- Begin the discovery process, determine scope, document parameters

- Establish system interfaces, payroll and HRIS system/ the recordkeeping database and participant access channels

- Start the Communication process

- Deployment and Go live

Kickoff and Discovery

Transmission File Programming and Testing

Participant Support and Communication

Communication to Participants

Deployment and Go Live

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Step 9: Communicate the ESPP Program

Get started ASAP

- Often overlooked and not properly planned

- Your ESPP will not work if it is not communicated properly

- Establish a separate workstream for communications

- Timeframe considerations

  › Start planning 12 weeks prior to launch

  › Basic campaign → 6 weeks

  › What channels you will use

    › Print and mail → 2+ weeks from final design

    › Video → 10 weeks

      › Videos with live people take longer and involve more coordination

  › Where employees reside

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# Step 9: Communicate the ESPP Program

Frame the message

- Remember why you chose to offer an ESPP

  › Offer ownership opportunity to all employees

  › Financial benefits (discount, company match, dividends)

  › Based on employee feedback / survey results

- ESPPs are confusing, so deliver communications in two tiers

  › **High level**. Basics of how it works and how to get started.

  › **Detailed**. Offering periods. Purchase dates. Tax benefits.

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Step 9: Communicate the ESPP Program

Tailor your communication efforts

Your audience is 100% human beings
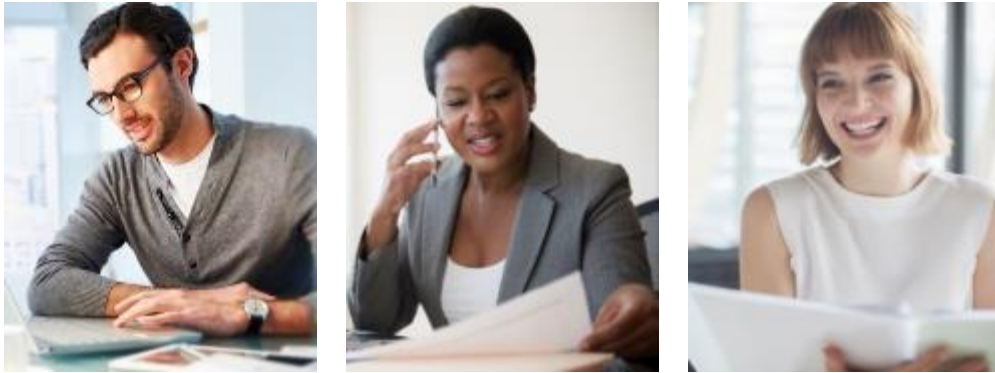
Like likes like

Speak their language (literally)

¿Habla español? Parlez-vous français? 한국인 이세요? Sprichst du Deutsch? Ou pale kreyol ayisyen? а ты говоришь по русски? Ξερεις να μιλας Ελληνικα?

Know your corporate culture

✓ Older or younger?

✓ Education level?

✓ Savviness with stocks and taxes?

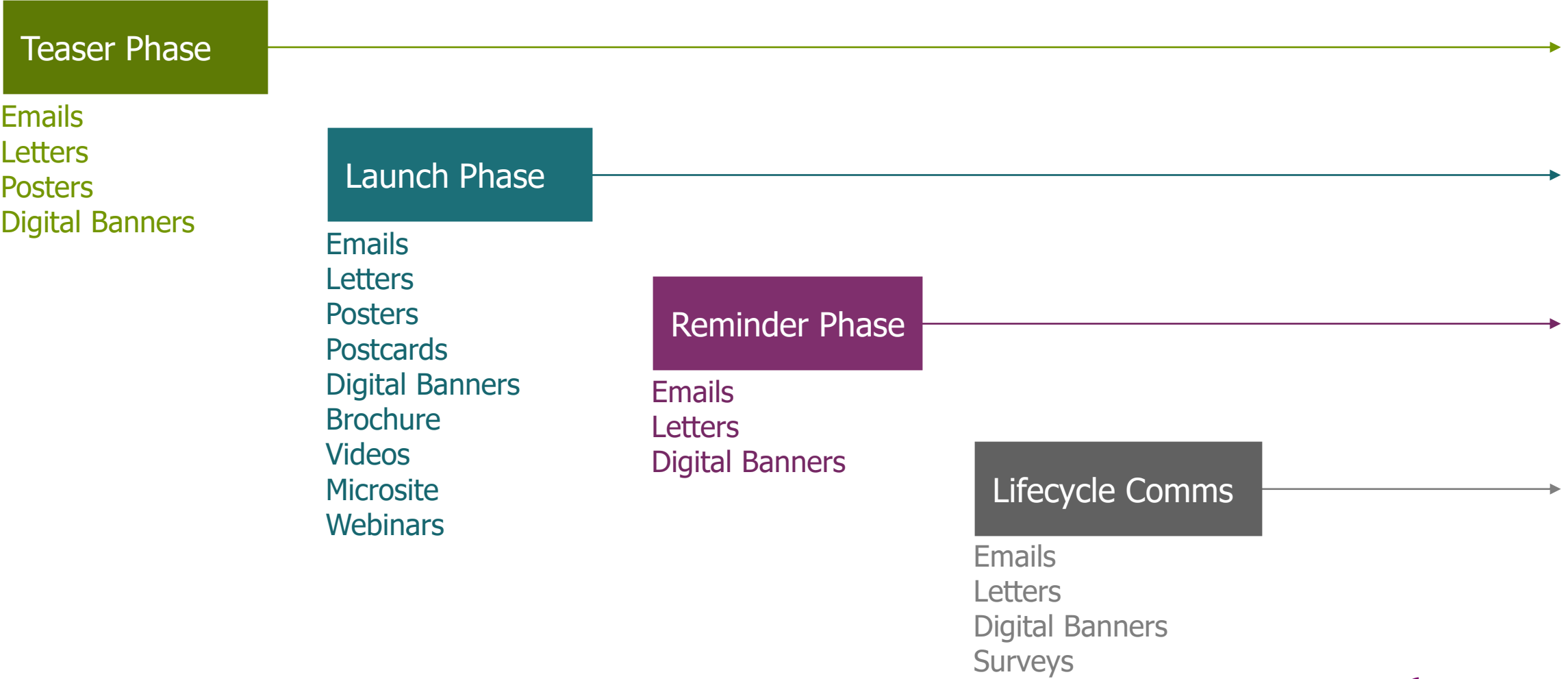**C**omputershare

Step 9: Communicate the ESPP Program

Tailor your communication efforts

Beware the segmentation rabbit hole

Step 9: Communicate the ESPP Program

Use all distribution channels at your disposal

Teaser Phase

Emails
Letters
Posters
Digital Banners

Launch Phase

Emails
Letters
Posters
Postcards
Digital Banners
Brochure
Videos
Microsite
Webinars

Reminder Phase

Emails
Letters
Digital Banners

Lifecycle Comms

Emails
Letters
Digital Banners
Surveys

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Step 9: Communicate the ESPP Program

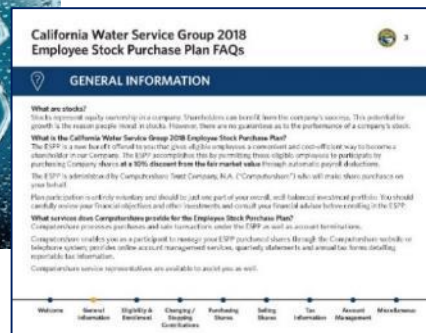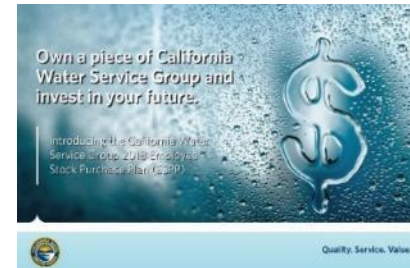## California Water Service Group - New Plan

Microsite – A hub for all California Water plan information

Postcard

Overview Brochure

Summary of the 2018 project
California Water was launching a new ESPP Plan in December of 2018. Their goals for communicating with their employees was to inform them of the new benefit and make them feel invested in the Company, providing a long-term benefit.

Objectives
Employee participation in the new plan, averaging about 20% uptake in the initial enrolment period for 1172 eligible employees.
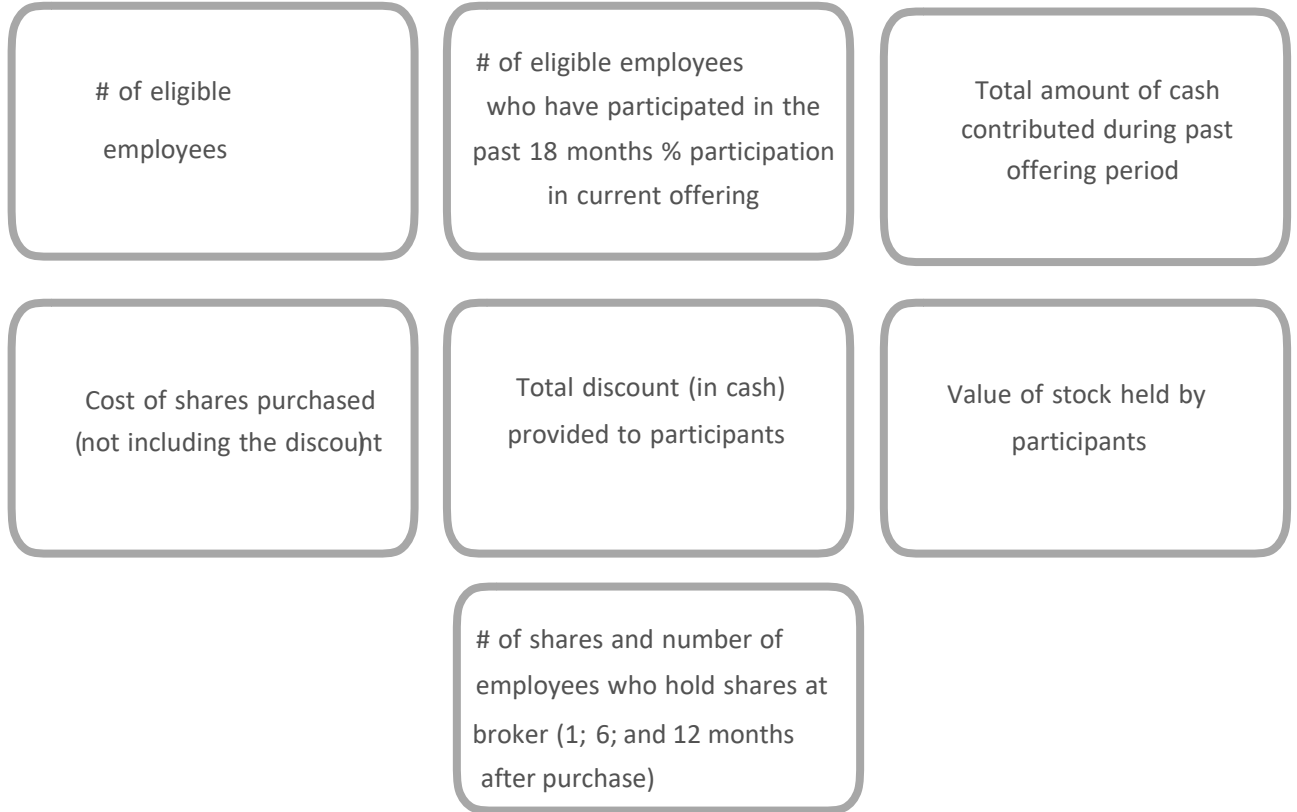
High-level approach

› **Comprehensive multi-channel campaign** to maximize engagement
  - Highlights Brochure
  - FAQs
  - Postcard
  - Presentation
  - Microsite – 600 unique visitors, 366 clicked to "Enrol Now"

Outcomes
1172 eligible employees, 315 enrolled during first enrolment period, almost a 27% uptake.

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Step 10: Evaluate the Success of the Program

Periodically review the effectiveness of the program

# of eligible employees

# of eligible employees who have participated in the past 18 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

# of shares and number of employees who hold shares at broker (1; 6; and 12 months after purchase)

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Evaluate the Success of the program – Case Studies

What these clients did:

- Survey employees

- Analyze employee data

- Look for cost savings initiatives

- Design a strategy to help meet your goals

- Communicate to employees where they are

- Reevaluate to measure results

What you should do:

- Give yourself and you plan administrator sufficient time to gather and analyze your data

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Sample End-to-End Timeline to Get your ESPP Approved

Month 1
Company investigates design issues, cost and administration methods.

Month 2
Established purpose of ESPP. Evaluated design alternatives and associated requirements for preparation of presentation to executive management committee.

Month 4-11
Three discussions with executive management — first to provide full scope of design alternatives and gather input/ feedback; second to narrow down alternatives and follow up on questions; third to solidify decisions. Numerous scenarios are presented to executive management to model various levels of company match/discount, participation and stock price assumptions. Proposal presented to board by CHRO to gain approval to proceed.

Month 12
Final design vetted with stock plan consultant. Determined number of shares to reserve under share pool. General Counsel determined type of shares to reserve under the plan (authorized/ unissued shares). Final proposal approved by board.

Month 18
Plan submitted for shareholder approval.

Month 21
Plan approved by shareholders.

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Keeping Learning About ESPPs

ESPP Week 2020 Virtual Conference
October 19-23, 2020
computershare.com/esppday

Articles and Whitepapers

- How to Establish, Design and Implement an ESPP

- Nine Reasons to Offer an Employee Stock Purchase Plan

- Top 10 Considerations for Setting Up an ESPP

- Five Techniques to Turbocharge Your ESPP Education

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