

TRENDS IN EMPLOYEE EQUITY PLANS

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> Webinar Series

- All Things ESPP @ www.computershare.com/allthingsespp
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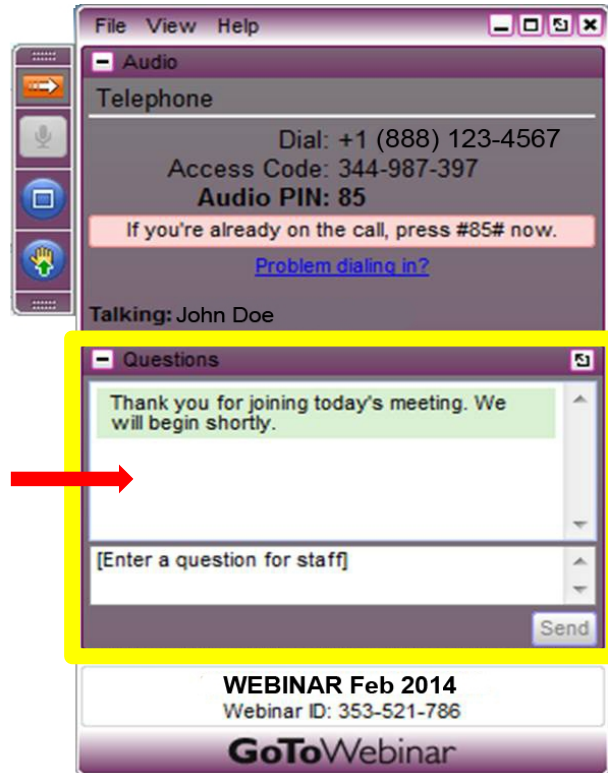
> ESPP Day

- November 2018 in Northern California
- Sign up for alerts at www.computershare.com/esppday

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Asking Questions



Enter your question into the Questions pane on the GoToWebinar Control Panel.

Housekeeping

- › Presentation is being recorded
 - Email will be sent to all attendees with link to recording and presentation
- › Presentation qualifies for one CEP credit
- › Please take our survey!

Introductions



Jennifer Namazi, CEP
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Jennifer Namazi is the Editorial Director for the NASPP where she has responsibility for procuring, creating and maintaining relevant and timely content for the NASPP's website. Prior to joining the NASPP, Jenn was a director, senior consultant and project manager for consulting firm Stock and Options Solutions. She has also held various administrator and management positions in the field of equity compensation, for companies such as Adaptec and Broadcom. Jenn is a Certified Equity Professional, and currently services on the board of the DC/Maryland/Virginia NASPP Chapter.

She is also a past member of the CEP Advisory Board.

Introductions



Landy Tam, CEP

Senior Vice President, Head of Product Management, Computershare

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Landy has more than 20 years of experience in the financial and equity compensation industry with management responsibilities in technology, operations, administration, re-engineering as well as relationship management. In her current role, Landy is responsible for managing the current product offering, including regular updates, developing new products and services, and forging alliances with other vendors to expand and enhance offerings to plan sponsors and their participants.

Landy is a frequent presenter, panelist and moderator on topics related to employee equity plans including the value of employee stock purchase plans to employees and organizations, as well as the management of plans for international employees.

Landy has been a certified equity professional since 2003 and has also held FINRA Series 7, 63, 9, 10, and 24 (general securities principal) designations. She is an active member of the National Association of Stock Plan Professionals and the Global Equity Organization, including the national organizations and several local chapters. Landy graduated from Rutgers University with a degree in Economics and is bilingual, fluent in English and Chinese.

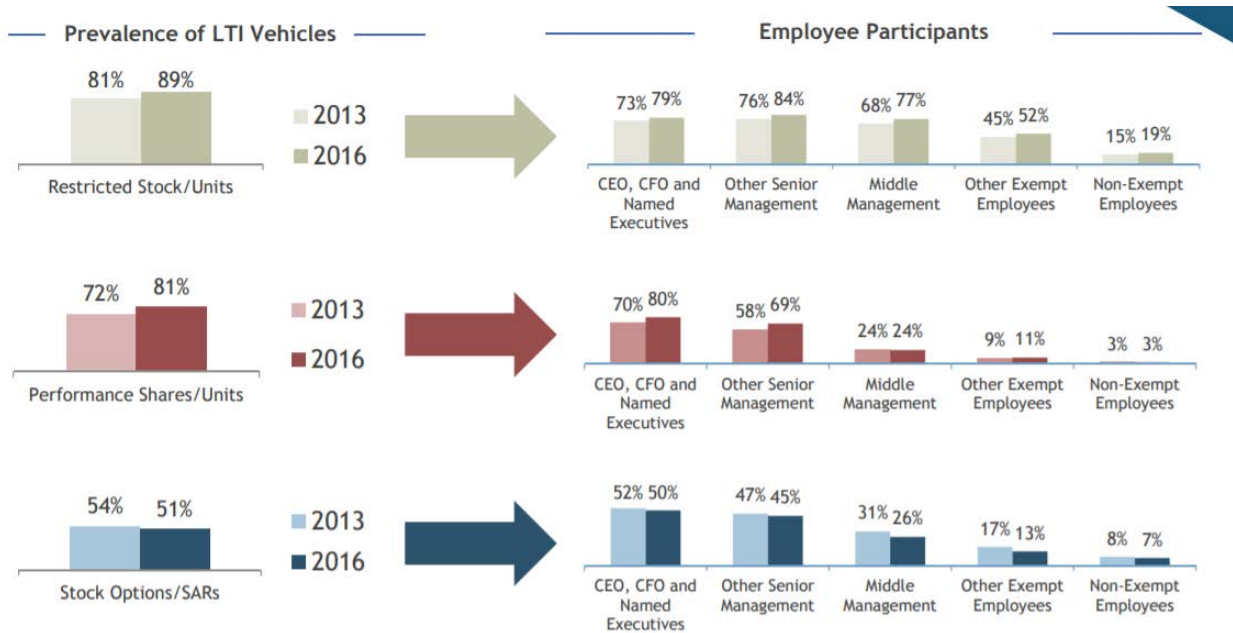
Survey Data

Much of the survey data reported in this presentation is sourced from NASPP Surveys, co-sponsored by Deloitte, in particular the NASPP/Deloitte 2016 Domestic Stock Plan Design Survey and the NASPP/Deloitte 2017 Domestic Stock Plan Administration Survey.

Employee Equity Trends

Non-Contributory Plans

- What are companies offering?

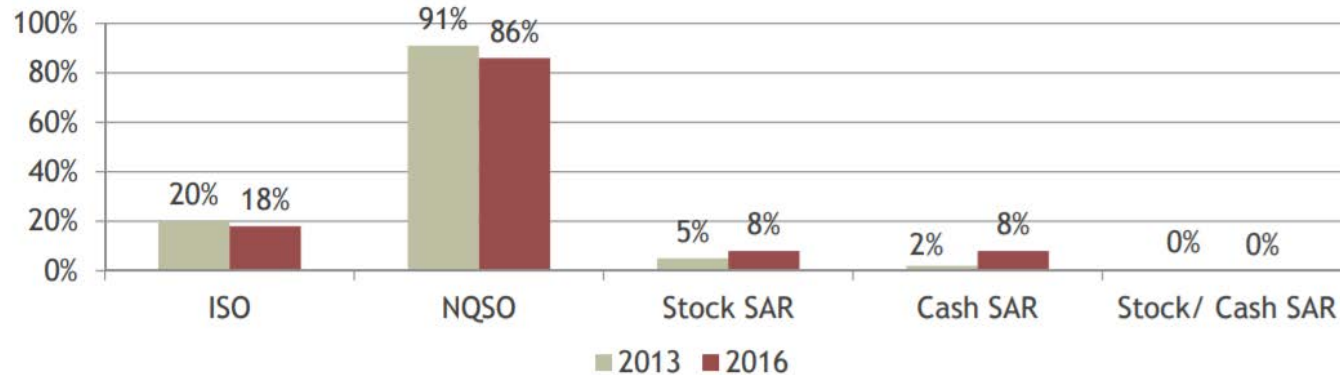


Restricted Stock/Units & Performance Shares/Units are most common

Trends in Granting Equity – Stock Options

Stock options

54% of the survey respondents maintain a stock option plan; below are the following types of stock options/SARs disclosed by individuals that currently receive stock option awards:

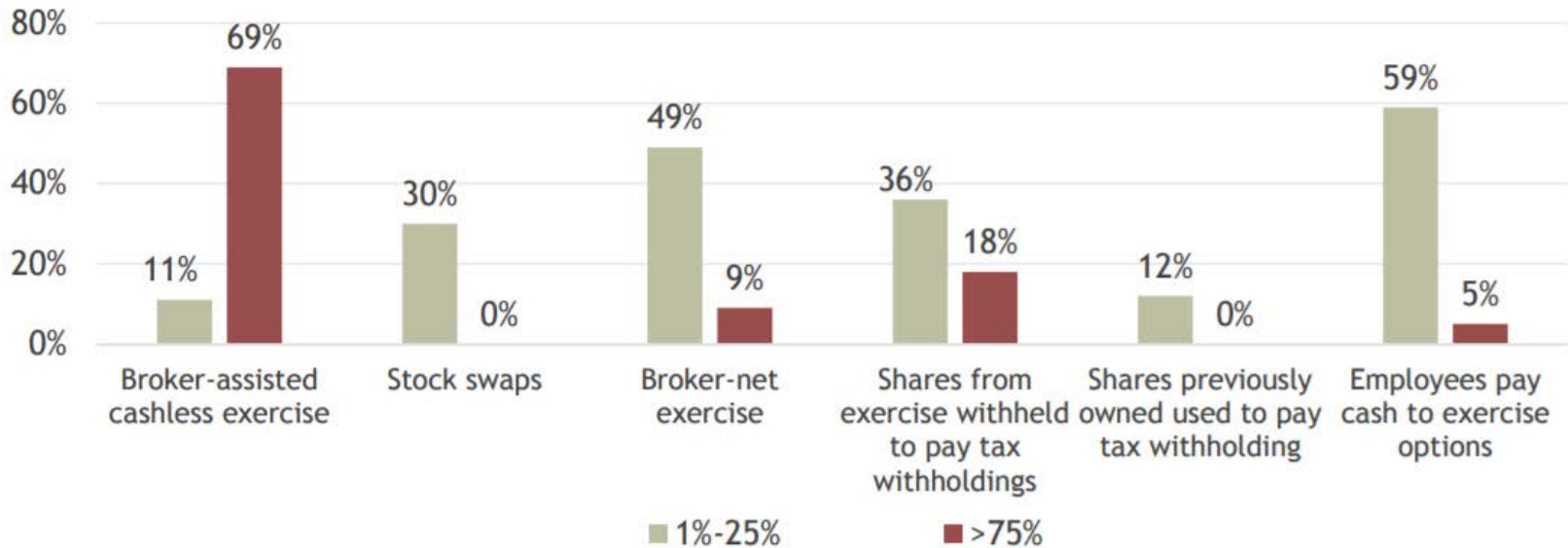


**Shown as percent of the 54% respondents that grant stock options/SARs.*

The majority of the surveyed companies utilize graded vesting (90%), followed by cliff vesting (10%), and graded, annual vesting is most prevalent.

Trends in Stock Options - Exercise

The utilization of stock options have the following exercise provisions:



Trends in Stock Options - Expiration

Expiring Stock Options

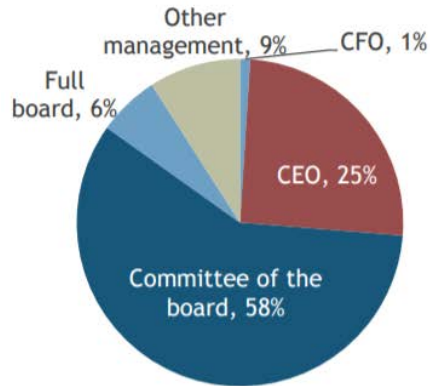
- › Notifying participants about upcoming expiration
 - 89 percent of companies are notifying participants of the upcoming expiration
 - Notification most often completed through a third party.
 - › Hands off approach? 41% percent of the respondents indicated a third party is taking full ownership of notifying participants of option expiration.

Trends in Stock Awards

Restricted Stock Awards/Units

Trends in approving grants to non-Section 16 insiders

Grants to non-Section 16 insiders are approved by:



Grants to non-Section 16 insiders are approved as follows:

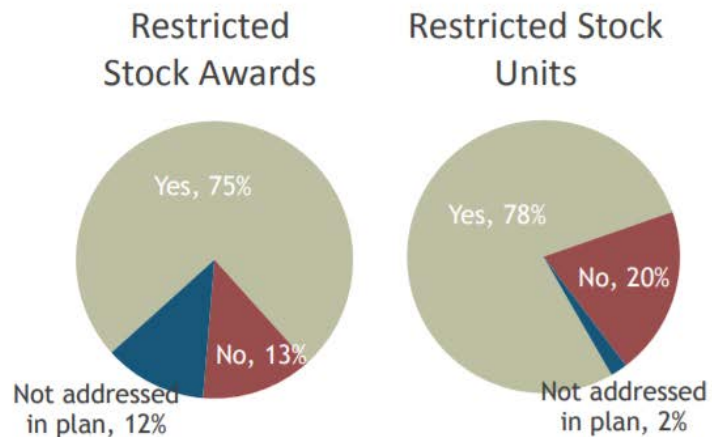
When the compensation committee meets	26%
Once a month (at the same time every month)	22%
Once a quarter (at the same time every quarter)	17%
On hire date	9%
Once a year (at the same time every year)	8%
When the board meets	5%
We do not issue new hire grants	3%
Only during open-window periods	3%
After earnings are released	2%
Other	2%
No set schedule	14%

Vesting Trends

- Most common time period is 3 year vesting, regardless of method. Graded vesting most prevalent (72%), followed by cliff vesting (29%)
- 82% respondents say no Post Vest Holding Period

Trends in Stock Awards

Payment of Dividends



How dividend equivalents are paid on awards	RSAs	RSUs
Paid to employee in cash when paid out to shareholders	51%	23%
Paid to employee in cash when underlying award is paid out	29%	34%
Reinvested into additional restricted stock awards / units and paid to employee when underlying award is paid out	18%	40%
At election of employee	2%	2%
Other	0%	1%

Trends in Employee Stock Purchase Plans

Contributory Plans

Employee Stock Purchase Plan

- Qualified vs. Non-Qualified
 - 80% report having a Section 423 qualified plan
- Purchase/offering periods
 - 6 month offering period most common
 - › Followed by 3 month and 1 month; longer durations are on decline

Trends in Employee Stock Purchase Plans

Contributory Plans

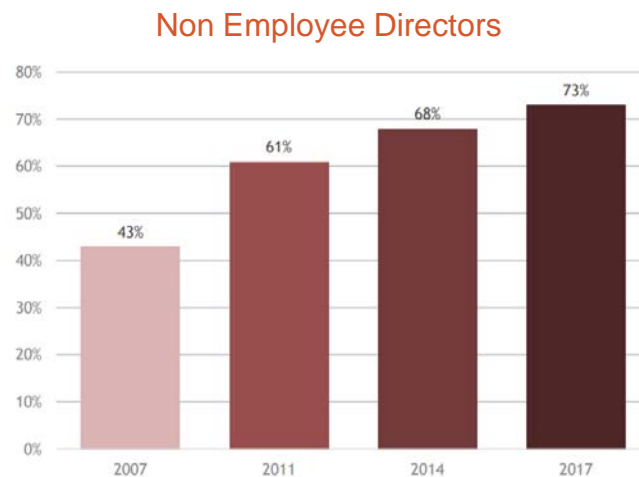
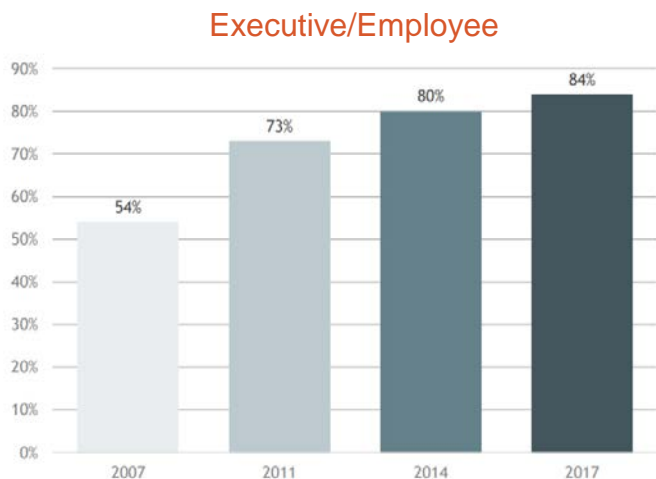
Employee Stock Purchase Plans

- Discount
 - Most common discount is 15%
 - Positive correlation between discount amount and employee participation rates
- Match
 - For non-qualified plans, we see almost a three-way tie between the 15 percent discount (31 percent), no discount (27 percent), and offering a match instead of a discount (25%).
- Lookback
 - Section 423 Plans: 63% offer a lookback
 - Nonqualified Plans: 52% offer a lookback
 - > 39% calculate on purchase date price only (no lookback)

Trends in Administering Equity Plans

> Stock Ownership Guidelines

- Increasing majority of respondents report having guidelines



- Trend in multiple used to calculate threshold for CEO
 - > Jump from five (2014 survey data) to anywhere from six to nine for CEO only
 - > Other multiples have remained fairly consistent over the past few years

Trends in Administering Equity Plans

> Outsourcing Plan Administration

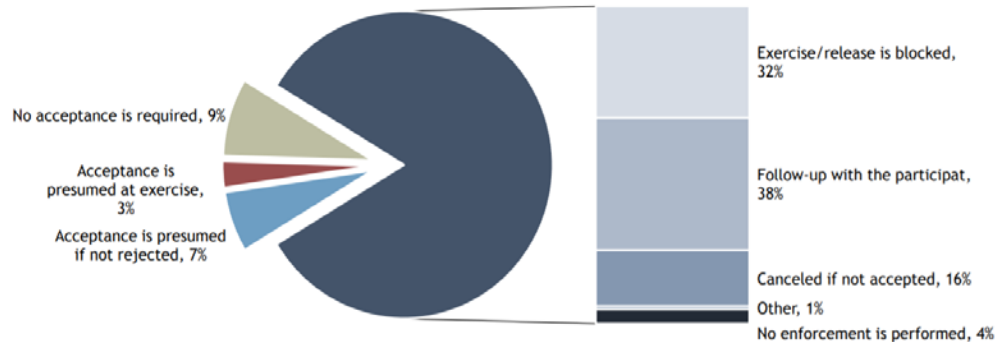
- Continued migration towards outsourcing – 87% of respondents outsource at least some portion of equity plan administration

> Domestic Mobility Tracking

- Majority of companies (60%) do track employee movement within the United States
 - > Most common reason for tracking this data is for tax purposes (90%)

> Grant Acceptance

- Require it, but skip the paper! 80% of companies require grant acceptance;
 - > 81% permit via digital/electronic signature (majority allow this for all participants)
 - > 89% of acceptances obtained via third party website



Questions

