

HOW TO ESTABLISH AN ESPP

Part 1: Design, Budget and
Approvals

June 30, 2020



CERTAINTY

INGENUITY

ADVANTAGE

Computershare

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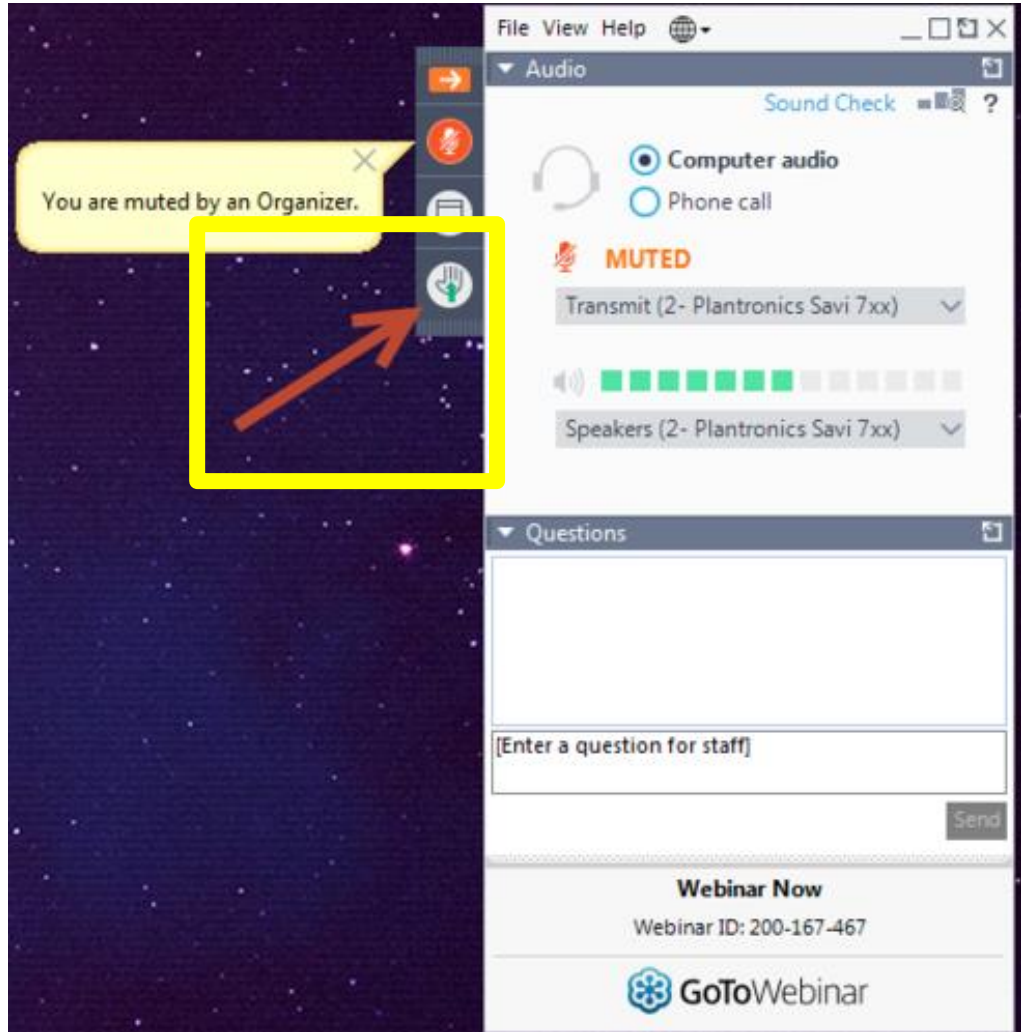
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Introductions



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Companies that can maintain employee engagement during times of uncertainty are much more likely to flourish, 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.

Agenda

Session I

Determine the Purpose of the Plan

Conduct Assessments

Establish a Budget

Select ESPP Design Components

Stakeholder Approval

Shareholder Approval

Session II

Select a provider for administration

Implement the Program

Communicate the ESPP Program

Evaluate the Success of the Program

Step 1: Determine the Purpose of the Plan

Goals of the Plan

Come up with a Mission Statement

- Provides overall guidance in establishing the selection and design of the program
- Gives your communications plan a distinct purpose

What are you looking to accomplish?

Attract and retain talent

Loyalty and motivation

Increase employee production and morale

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 asset accumulation opportunity

Enhance employee benefits

Match competitive market practice

To underline a broader company change

- Timely introduction of ESPP may help energize employees to contribute to new projects, initiatives, etc.)

Step 2: Conduct Assessments

Ensure Your Plan is Competitive with the rest of the Market?

- Run a needs assessment with your current employees
- Gather Market Research
- Get Information on local and worldwide tax laws and regulations to offering an ESPP

Run a Needs Assessment with your Current Employee Population

Questions to consider:

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



Gather Market Research

- What are other like-companies are offering?
 - > This will help benchmark what plan features your competitors are offering
- Collect industry surveys/studies
- Work with service provider partner to analyze overall best practices

*See [the Computershare Participant Behavior and Design Study](#) for an example of the related types of research and analysis Computershare can provide.



Gather Information on Tax Laws and Regulations

- Get information on local/state tax laws
- Research Worldwide tax laws and regulations (as appropriate)
- Identify general compliance issues
- Anticipate any challenges



*Resource: the [Baker McKenzie Global Equity Matrix](#)

Step 3: Establish a Budget

Take a realistic look at your program budget

- What cost constraints might you have to contend with?
- Factor in all costs for the program
 - > Initial rollout of the plan
 - > Ongoing administration
 - > Communications
 - > Cost of offering a discount or match

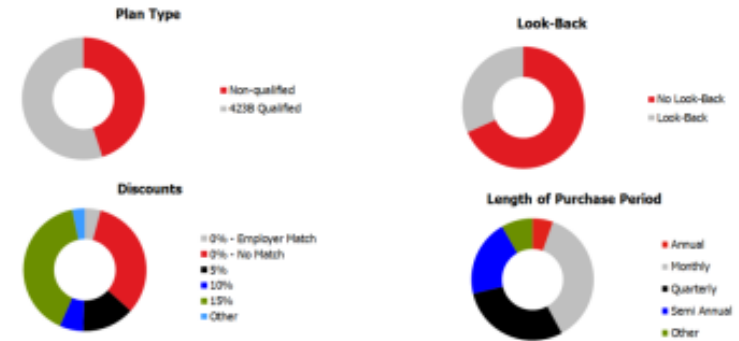
*Learn more about how much an ESPP really costs in Computershare's white paper, [How Much Does an ESPP Really Cost?](#)



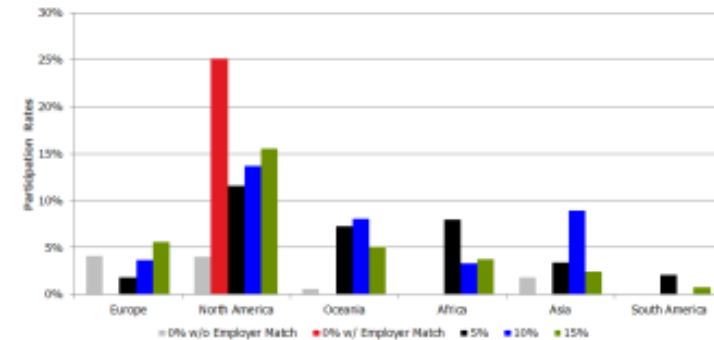
Step 4: Select ESPP Design Components

A plan design that meets both employees needs and company objectives

- Type of plan you will offer, e.g., tax qualified (relatively rigid design) to nonqualified (unlimited design flexibility)
- Amount of discount or match
- Offering and purchase frequency
- Plan or share restrictions
- Type of shares required to fund the plan, e.g., treasury, open market, authorized/unissued.



Domicile Participation Rates by Discount



Step 5: Stakeholder Approval

"Stakeholder: any person or group that affects or is affected by the outcome of the program, e.g., finance, payroll, human resources, senior management, board of directors, and shareholders."



Stakeholder could include:

- > Finance
- > Senior Management
- > Payroll
- > Board of Directors
- > Human Resources
- > Shareholders



Step 6: Shareholder Approval

For ESPP programs in the U.S., shareholder approval requirements are outlined below

Tax Qualified Plans

- Shareholder approval required
- Shareholder required within 12 months, before or after the plan approved by the Board
- Approval is only required once except for an increase in the number of shares

Nonqualified Plans

- Required by NYSE / NASDAQ
- Even if “arguably” de minimis potential for insider compensation OR material dilution for shareholder



Helpful References

[Computershare's London School of Economics Study](#)

[Computershare Participant Behavior and Design Study](#)

[Baker McKenzie Global Equity Matrix](#)

Need help with your assessment? Computershare can advise you, utilizing research on the latest industry standards and best practices. Contact us at 888.404.6333 or busdev@computershare.com for a consultation. Learn more at computershare.com/employeeplans.

Learn more about how much an ESPP really costs in Computershare's white paper, [How Much Does an ESPP Really Cost?](#)

Bogged down in plan design details? Computershare can help get you up and running, from design to implementation to ongoing administration. Learn more at computershare.com/employeeplans or contact us for a consultation at 888.404.6333 or busdev@computershare.com.

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