




## Modernizing Your Global Share Option Plan: The VNU Challenge


Jeff D Grady, GRP, CCP  
Director, Global Compensation  
VNU, Inc.



## Objectives of Presentation

- **An overview of one company's experience**
  - Historical and organizational context
  - Areas in common and those unique to VNU
- **Framework:**
  - Business acquisitions and rapid expansion of plan participation
  - Simultaneous intersection of rules, compliance, and operations
- **Highlights and observations on what we learned**
- **Insight on some of the “devilish details”**
- **Fresh insight – March 2004 launch**

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2



VNU

## Leading Provider of Marketing and Media Information in the World

- € 4.3 billion total revenues (1/2 from North America)
- 38,000 employees / more than 100 countries
- Netherlands based, with two headquarters: Haarlem and New York City
- 4 core segments:
  - Marketing Information
  - Media Measurement and Information
  - Business Information
  - World Directories

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3



## Our Brands and Businesses

- **Marketing Information**
  - ACNielsen
  - BASES
  - Claritas
  - TDLinx
  - Homescan
  - Market Decisions
  - Spectra
  - And others
- **Media Measurement and Information**
  - Nielsen Media Research
  - NetRatings
  - Nielsen EDI
  - Nielsen NRG
  - Nielsen BookScan
  - Nielsen VideoScan
  - SRDS
  - Marketing Resources Plus
  - Scarborough Research
  - PERQ/HCI
  - And others

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4

## Our Brands and Businesses, cont.

- **Business Information**
  - VNU Business Publications
    - 56 trade Magazines in the US
    - 70 in Europe
      - *Billboard*
      - *Adweek*
      - *Hollywood Reporter*
      - *Progressive Grocer*
      - *PCMagazine*
      - *Elleronica Oggi*
      - *Pubblicita Italia*
  - VNU Expositions
  - VNU eMedia
- **World Directories**
  - Belgium
  - Portugal
  - Ireland
  - South Africa
  - Puerto Rica
  - Romania
  - Netherlands

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5

## Transformation

- **1998 – primarily a media and publishing company, with limited geographic reach (US & Europe) and focus on consumer information**
- **2000 – acquired Nielsen Media Research**
- **2001 – acquired ACNielsen**
- **Divested consumer publications**
- **Other shifts / changes ...**

**2003 – “One VNU”**

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6



## Organizational Context

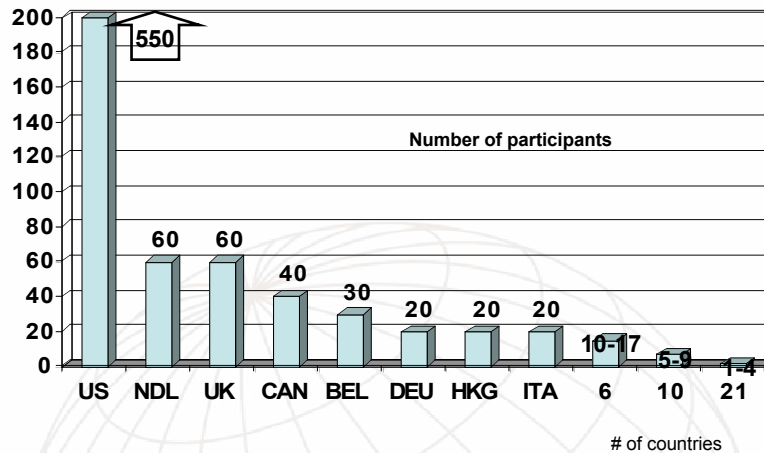
- **Holding company transformed into integrated business information company**
- **Decentralized organization**
  - One headquarters / two locations
  - Relatively small corporate staff (e.g., no global head of HR)
  - Compensation staff in The Netherlands, Belgium, Hong Kong, Buenos Aires, Chicago, Florida, and New York
  - No global HRIS; in process of implementing SAP
- **Decentralized Compensation Strategy and Structure**
  - 2002: Executive “Tiers” covering the top 400
  - Includes LTIP and equity; NOT base and bonus



## Option History

- **1998: 140 participants - 11 countries**
  - No full-time staff
  - Administered by Dutch private bank (periodic updates in Dutch)
  - Primary grant in March, secondary in August
  - 5 year life; 2 year vesting
- **2001: 800+ participants - 45 countries**
  - Inherited approaches, e.g., allocation philosophy
  - No comprehensive review of program; No due diligence
  - Limited adaptation of forms and documents
  - 7 year life

## March 2004 Grant Distribution



*Value of options vs. cost of due diligence?*

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9

## Our story: 2002 - Now

- Mar '02 - Oct '02 Building the business case
- Nov '02 - Jan '03 PwC Study (compliance and operations)
- Feb '03 - Jul '03 Reacting to the study
- Apr '03 - Aug '03 Selecting the vendor
- Sep '03 - Mar '04 Outsourcing administration
- March, 2004 Launch

*A lot of timing issues beyond our control*

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10

## Business Case (2002)

- **Corporate Governance: Ernst & Young – auditor or consultant?**
- **Compliance audit or operational analysis?**
- **Finance or HR?**
- **Haarlem or New York?**
- **Who needs to be convinced – who are the players?**

### *Building credibility*

- **Selected a vendor – PricewaterhouseCoopers**
  - 2 Tracks: Compliance and Operations

## PwC Study (Nov '02 - Jan '03)

- **Steering Committee**
  - Chief Financial Officer (NLD)
  - Corporate Controller (NLD)
  - PwC Partner – Relationship (NLD)
  - PwC Partner – Expert (NLD)
- **Operations Team**
  - Director, Global Compensation (US)
  - HR Manager (NLD)
  - PwC Project Manager (NLD)
  - PwC Team members

### *Importance of engagement*

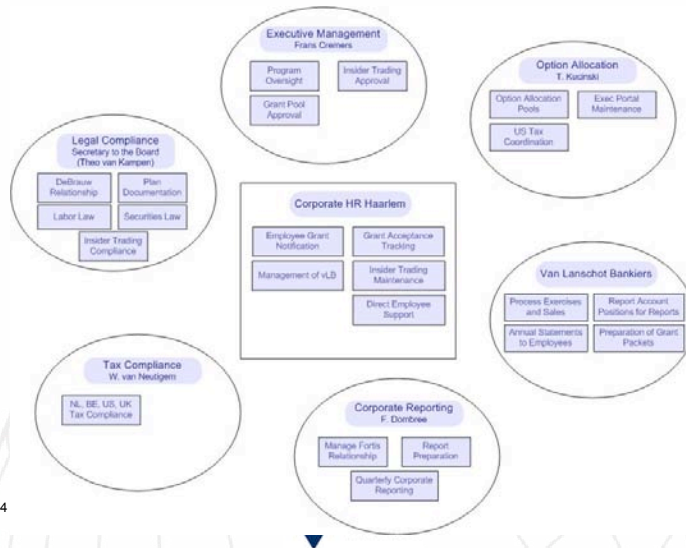
## PwC - Compliance (Nov '02 - Jan '03)

- **45 countries with participants**
  - Cannot afford to study all at once. Our criteria:
    - *Number of participants / options*
    - *Level of regulatory activity*
    - *Corporate visibility (e.g., regional headquarters)*
  - “Full” study – 11 countries
  - “Partial” study – 14 countries
- **Country specific changes? No variation in basics**
  - Belgium extension of term? No
  - French 4 year vesting? No
  - UK “approved” plan? Yes

## PwC – Compliance (Jan '03)

- **General conclusions**
  - Netherlands “clawback” provision
  - Transaction costs paid by company
  - Data protection
  - Acquired rights
  - Corporate tax recharge opportunity
- **Country specific conclusions**
  - Filings, notifications, and/or exemptions (securities, tax, FX)
  - Withholding and/or reporting
  - Work’s Councils
  - Translation
  - Tax planning opportunities

# PwC - Operational Current State (Nov '02)



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15

# PwC - Operations (Jan '03)

- **Better definition of Plan Organizational Structure**
  - HR in center of structure
  - Steering committee deferred NY / Haarlam decision to HR
- **Centralize production and distribution of packages**
- **Improved Plan Data Management, either in-house with purchased software, or outsourced to 3<sup>rd</sup> party vendor**
  - Steering committee concurred with hiring 3<sup>rd</sup> party; continuing role of Dutch bank to be determined

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16

## Our Story: 2002 - Now

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17

## Early 2003 - Key Messages

Since the last time stock options were “in the money”:

- A much larger number of employees receive stock options
- The operation is significantly more complex (45 countries)
- We want to “up the game” in service delivery and communication

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18

## Compliance Network (Jun '03 - present)

- **The “Level of compliance ambition”**
  - Partnership somewhere between central control and hand-off
- **Goal: a point-of-contact within each country;** other interested parties
- **Lingering “control” issues**
- **Challenging examples**
  - Germany – 3 organizations, equal size, limited coordination
  - APAC – MMI formerly part of ACNielsen

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19

## Selecting the Vendor (Apr - Aug 2003)

- **Process**
  - PwC assistance
  - GEO April 2003 – informal discussions
  - 6 proposals (including 3 Dutch based)
  - 2 interviews and site visits
- **Issues**
  - Continuing role for Dutch bank
  - Batch processing vs. live trading
  - Infrastructure investment / experience and reputation
  - Corporate Treasury's point-of-view
  - Cost

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20

## Outsourcing (Sep '03 – Mar '04)

- **“Primary” team**
  - Director Global Compensation – Project Manager (US)
  - Director Controlling (NLD)
  - Manager Compensation (US)
  - Exec Dbase Administrator (US)
  - HR Staff / Option Administrator (NLD)
  - HR Communications (US)
  - Mourant Project Manager (UK)
- **Note**
  - Weekly calls
  - Missing ... “Stock Option Administrator”
  - Shifted accountability to NYC

## Outsourcing (Sep '03 – Mar '04)

- **Extended team**
  - VP Comp & Benefits (US)
  - Corporate Secretary (NLD)
  - HR / MD Director Europe (NLD / UK)
  - PwC Project Manager (NLD)
  - HR Director – sanity check (US w/ Global responsibility)
- **Stakeholders**
  - Global HR Advisory Board
  - Payroll and SAP
  - Tax, Legal, Treasury
  - Senior Management

# Communication (2004)

- **Meaningful Materials**
- **On-line access – the web site**
  - The 4-year “quick modeler”
- **Decentralized distribution**
  - Through managers; partnering with HR infrastructure
  - Timing: production, distribution, email, personal, etc.
- **The Executive Portal**
  - Learned experience
  - Single sign-on?
- **Multiple versions (Belgium, The Netherlands)**

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23

VNU Option Portal - Microsoft Internet Explorer

VNU Share Option Plan

Mr. Joe M Blaggs

Current Share Price: € 10  
Previous Day's Closing Price: € 10

Home  
Grant Detail  
Grant Acceptance  
Tax Deferral  
About Share Options  
Calculators  
Exercising Options  
Tax Information  
Forms  
Plan Information  
Glossary  
Frequently Asked Questions  
Contacts  
Personal Details  
About Mount

Site Instructions | Site Map | Contact Us | Change Password | Log Out

### Grant Summary

Welcome Mr. Joe M Blaggs to the VNU Share Plan Website

Grant Summary Information as of : November 27, 2003

Grant Date	Options Granted	Grant Price	Vesting Date	Exercisable
1996-01-01	2000	€ 5	1998-01-09	2000
1997-01-10	2000	€ 7	1999-01-09	2000
1998-01-10	2000	€ 10	2000-01-09	2000
2002-01-10	2000	€ 10	2004-01-09	0

### Value Estimator

**Value of exercisable options:** as of November 27, 2003 @ €15, the gross value of your exercisable options is €48,000\*

If you wish to see an estimate of the value of your options in 4 years time, please [Click Here](#)

\*Before deductions for taxes and fees

- Please [Click Here](#) to see how the exercisable value of your options was calculated
- For further modeling scenarios, [Click Here](#)

Done

Start | My Computer | 2:01 PM

## Outsourcing Observations

- **An opportunity to revisit the rules**
  - Dutch “clawback” provision
  - “Umbrella” document
  - Acceptance / Identification – unilateral, online
- **Changing the rules and documentation at the same time**
- **When to cut-off changes – loss of flexibility**
  - APAC - reallocation
  - NMR Int'l - communication
- **Proceeds via payroll or direct to participant?**

## Outsourcing – Data Issues

- **Understanding your current systems**
  - Executive Compensation database
  - Dutch bank
  - Haarlam option administration
  - Financial reporting
- **Staff limitations - full-time person**
- **Termination rules – “special cases”**
- **Cleaning data and implementation at the same time**
  - Email addresses
  - Payroll

## Surprises and “Flies”

- **Lingering options for participants from divested companies**
- **6 participants with ISO’s**
- **Expiration date – March 18 or March 19?**
- **2 months PLUS the closed period?**
- **The former vendor’s contract**
- **Dutch securities identification requirements – batch processing**
- **US Brokers – Dutch shares**

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27

## Other “minor” suggestions

- **US or Netherlands:**
  - A4 or letter; envelope and brochure size
  - English or English?  
*date format; comma or period; etc.*
  - “Leavers”
- **UserID and password emails – expectations**
- **Organization (sub-teams and issue logs)**

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28




## General Observations

- **Corporate Governance – who “owns” what?**
  - US model vs. Dutch model
  - Tabaksblat (Dutch Corporate Governance Code)
- **Allocation – top down and historically based**
  - Differing philosophies
  - Pools spread only so far



## What's Next

- **Local compliance activities**
- **HR infrastructure: training; information uploads/verification; termination processes**
- **UK Approval**
- **Additional country compliance analysis**
- **Expatriates and split contracts**
- **Charge-back opportunities**
- **Further communication**



## Final Thoughts

- **It is a complicated process**
  - Difficult to imagine on the front end
  - It will take time
- **The importance of engagement and partnership**
  - Balanced with need for centralized accountability
- **Communication**
  - What's the point if they don't appreciate the value
- **Change is a constant**
  - Regulatory
  - Organizational



## Any Questions?

### Thank You

**Jeff D Grady, GRP, CCP**  
**Director, Global Compensation**

VNU, Inc.  
770 Broadway  
New York, NY 10011  
646 654 8157  
jgrady@vnuinc.com



## Jeff D Grady, GRP, CCP

- **Jeff is a compensation executive with broad experience in all areas of total compensation; extensive experience in base, incentive and international pay.**
- **Since joining VNU in November of 2001, Jeff provides compensation expertise and internal consultation to VNU business groups. Areas of recent focus include implementation of a new executive compensation strategy, review of expatriate policies and practices, and international stock option compliance. VNU is the world's leading provider of media, marketing, and business information - a \$4.3 billion corporation with 38,000 employees operating in over 100 countries.**
- **From 1996 to 2002, he held managerial compensation positions with International Paper. He was responsible for all areas of design, delivery and administration of compensation for the salaried workforce of a 100,000 employee, \$24 billion corporation. Areas of focus included sales compensation, gainsharing, expatriate compensation, expansion of stock options internationally, and several mergers and acquisitions. He previously held managerial compensation positions at Michigan Consolidated Gas Company and has worked as a consultant for the Waters Consulting Group in Dallas.**
- **Beginning in January, 2003, Jeff has served as a member of the Board of Directors for WorldatWork – the professional association for Compensation, Benefits, and Total Rewards, with over 24,000 members world-wide. He has been a frequent speaker at numerous conferences including WorldatWork's International Conference in 1995 and 1997. He has been active with the Forest Products Industry Compensation Association, serving as chair. He is also a member of the New York Compensation Association, the Global Equity Organization, and the Society of Human Resource Management.**
- **Jeff received both his master's degree in management and human relations and his bachelor's degree in business administration from Abilene Christian University. He has received both the Certified Compensation Professional (CCP) and Global Remuneration Professional (GRP) designations from WorldatWork.**

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33