

**In House or Outsource**

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Is there a right or wrong answer to the question of administration?

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**Presenters**

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Justin Cooper – Capita Share Plan Services  
 Debbie Broom – Capita Share Plan Services  
 Julie Richardson – Capita Share Plan Services  
 Paul Askew – Alliance & Leicester plc

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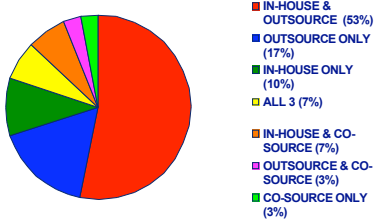
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**Statistics – where are we now?**

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|                              |
|------------------------------|
| ■ IN-HOUSE & OUTSOURCE (53%) |
| ■ OUTSOURCE ONLY (17%)       |
| ■ IN-HOUSE ONLY (10%)        |
| ■ ALL 3 (7%)                 |
| ■ IN-HOUSE & CO-SOURCE (7%)  |
| ■ OUTSOURCE & CO-SOURCE (3%) |
| ■ CO-SOURCE ONLY (3%)        |

Source: 2005 sample made up of 30 Capita Share Plan Services clients ranging from small UK listed to FTSE-100 and UK subsidiaries of foreign parents

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**Agenda**

- In-house
- Outsource
- Co-source
- Case Study
- Which is the best fit?
- Timeline
- Questions





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**In-house**

Benefits

- "Control"
- Security of data
- Personal touch
- Convenience for senior staff
- Job security






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**In-house**

Concerns

- Resource
  - peaks and troughs
  - here today and gone tomorrow
- System knowledge
- Share plans knowledge
  - keeping up to date
- Event time
  - dividends
  - AGMs
  - corporate actions


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**Outsource**

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**Benefits**

- Expertise
  - experience
  - event management
- System development
  - follows legislation and "best practice"
- Legislation
  - keeping you up to date



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**Outsource**

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**Benefits – cont.**

- Multiple resources
- Bulk jobs
  - invitations
  - option certificates
  - redundancy programs
- Time saving
- Industry Standard ("best practice")
- Global workforce



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**Outsource**

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**Concerns**

- Perceived lack of control
- Security of data
- Lack of the personal touch



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**Co-source**

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**Benefits & Concerns**

- Best of both worlds and worst of none?
- Shopping basket approach
- Confusion
  - clarity of roles and responsibilities







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**Case Study – Alliance & Leicester plc**

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**Background**

- Dates back to 1852
- Converted to plc from Building Society in 1997
- UK FTSE 100
- UK 7<sup>th</sup> largest bank
- 8,400 staff
- 5.5m personal customers
- Pre-tax profit in 2004 - £608m
- 2004 total dividend up 10% on 2003


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**Case Study cont. - Alliance & Leicester plc**

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**Share Plans offered**

- Share Incentive Plan
  - Free Shares – annual award -7555 participants (98% of eligible employees)
  - Partnership Shares – 1393 participants (17% of eligible employees)
- ShareSave Plan
  - annual invitation – 4567 participants (54% of eligible employees)
- Executive Option Plan
  - 2 grants per annum – approx. 300 participants
- Deferred Bonus Scheme
  - annual grant – approx. 100 participants


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**Case Study cont. - Alliance & Leicester plc**


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Share Incentive Plan

Outsource – Database  
Leavers  
Sales  
Helpline

In-house - Savings  
Calculations – purchase / allocation

Co-source – applications



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**Case Study cont. - Alliance & Leicester plc**



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ShareSave

In-house – savings  
leavers

Co-source - invitations  
maturity

Outsource – grant calculation



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**Case Study cont. - Alliance & Leicester plc**

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Exec options and DBS

In-house – grants  
maturities / exercise  
reporting



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**Case Study cont. - Alliance & Leicester plc**

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Why in-house or outsource for A&L?

- History
- Control of share capital
- Technology / experience
- Culture
- Confidentiality / sensitivity
- Shareholder value
- Expertise
- Employee's money!



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**Case Study cont. - Alliance & Leicester plc**

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Relationships if in-house

- Share schemes team
- Group Tax
- Payroll
- Finance
- Internal Communications
- Printers



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**Case study cont. - Alliance & Leicester plc**

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Relationships if in-house

- IT Department
- Remuneration Committee
- Group Secretariat
- Advisors
- Registrars / external administrators



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**Which is the best fit?**

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Questions to ask yourself

- Which share plans do we offer?
- Do we have the expertise?
- How much administration time will this take?
- System development?
- What will we do during busy periods?
- How will we communicate with staff?
- What budget do we have?



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**Timeline**


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Past

- Traditionally more done in-house

Present

- Drift towards outsourcing/co-sourcing
- Higher participation
- Less manageable



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**Timeline cont.**

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Future

- Providers offering more co-sourcing
- Demand for flexible combinations of in-house/outsource/co-source
- Companies concentrating on core competencies



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**Questions?**

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Thank you for your participation



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