

Share Plan Administration: Where are we now and where are we going?

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INTRODUCTIONS

Introductions

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 - CEO Global Shares
- **Michael Bendorf**
 - Principal, Buck Consultants
- **Chris Mowatt**
 - Business Development Manager, HBOS EES

Where are we now?



2007 Stock Plan Administration Survey



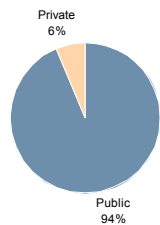
About the Survey

- In February, 2007, Global Shares and Buck conducted their first annual survey of Stock Plan Administrators
- Responses from 263 companies from around the world
- Focus on the survey was on stock administration practices, not on plan design
- Buck Consultants provides a separate survey to focus on stock plan design trends (*2007 Buck Consultants Global Long-Term Incentive Practices Survey*)

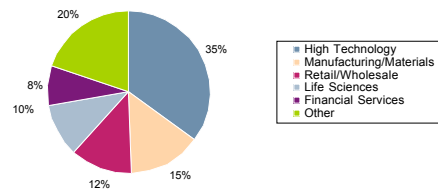


Survey represents a diversity of organizations ...

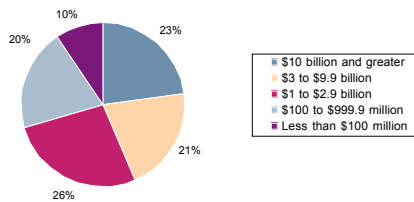
Organizational Status



Industries Represented

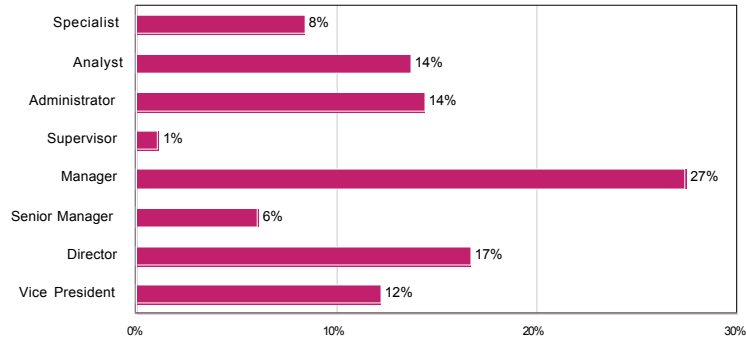


Revenue Breakout of Responding Organizations



... and people

Respondents by Title



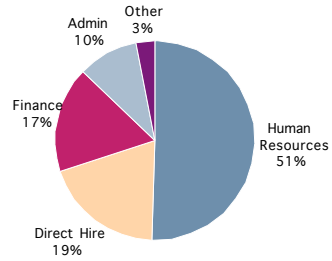
The Results



Administrators came from various backgrounds

- Human Resources provides the most common career path for stock plan professionals
- Close to 20% of stock plan administrators started their careers specifically as stock plan professionals

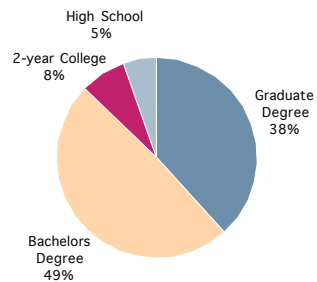
Path Followed into Current Position



Educational experience

- Almost 40% of respondents have a graduate degree
- 95% of respondents have a minimum of a 2 year college degree (US Community College)

Educational Experience of Administrators



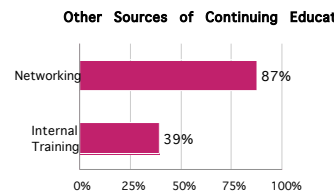
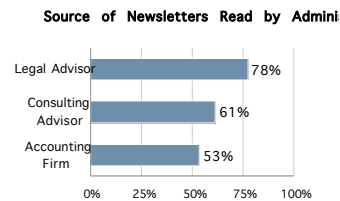
Professional certifications are also common

- 45.5% of survey respondents report having some certification or other professional qualification



Other forms of education are less formal

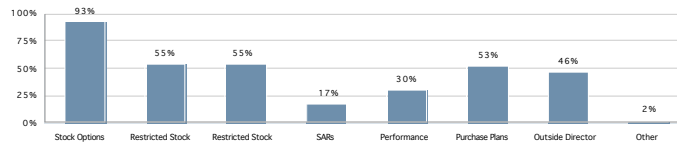
- It is clear that stock plan professionals benefit from networking with other colleagues. Nearly 90% of respondents felt that networking provided them with continuing education, while only 39% felt that internal training was of use.



Types of company plans administered

- Stock options are still the most popular, but more than half of the respondents are responsible for administering restricted stock plans.
- Additionally, more than half still administer a type of purchase plan (which can include ESPP, SAYE, SIP, etc.)

Prevalence of Various Stock Plan Types



Stock plan usage varies by industry group

Stock Plan Usage in Various Industries

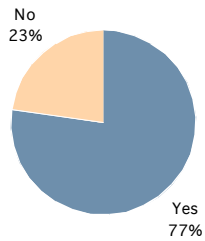
Industry	Stock Option	Restrict Stock	Restrict Stock Units	SARs	Performanc Plans	Purchas Plans	Outsidi Directo
Energy/Utilities	•	•	•	—	—	—	•
Entertainment	•	—	—	—	—	—	—
Financial Services	•	•	•	—	•	•	•
Healthcare Providers	•	—	•	—	—	—	—
High Technology	•	•	•	•	•	•	•
Life Sciences	•	•	•	—	•	•	•
Manufacturing/Materia	•	•	•	•	•	•	•
Retail/Wholesale	•	•	•	•	•	•	•
Services	•	•	•	—	—	—	•

• denotes dominant stock plan by employee particip



Stock plans still have an international nature

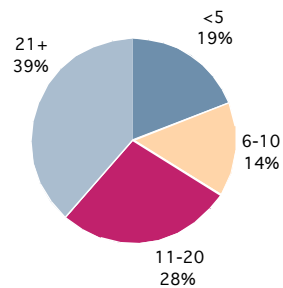
Company Stock Plan Operates in Multiple Countries



Stock plans are an international challenge

Number of Countries in Which Plan Opera

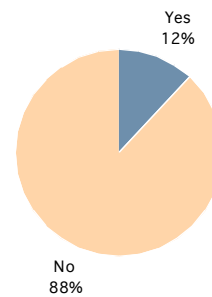
- In many cases, plans are extremely international with 39% operating in at least 21 countries
- Less than 20% operate in 5 countries or less



Stock plans are an international issue

- Most companies do depend on their single administrator to support all of their plans
- Only 12% of respondents hire more than one administrator based on the location of their plan

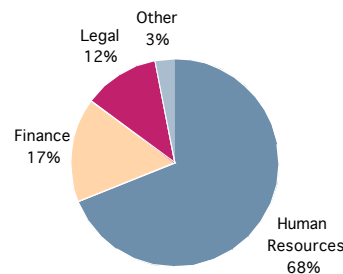
Different Administrators Used in Other Co



Organizational home for stock administration

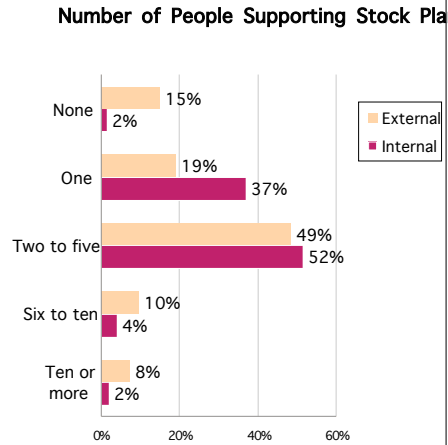
- A majority of stock plan professionals find themselves in the HR department, with almost reporting HR as their home department.
- The next most popular department is Finance (including treasury, accounting and payroll) and Legal (including tax, corporate secretary).

Home of Stock Plan Administration Services



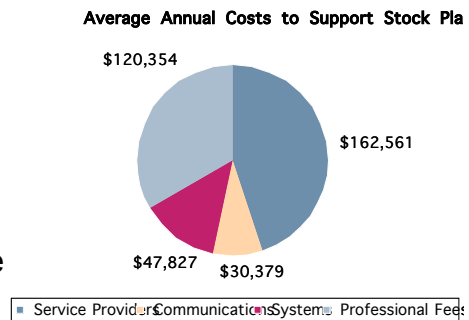
Department census

- The size of the stock plan department ranged from none to 10 or more.
- The most common number was 2-5 employees supporting the plans (52%) with one person in the department the second most common.
- We were surprised to see that in 2% of the respondents, no one internally was supporting the stock plan



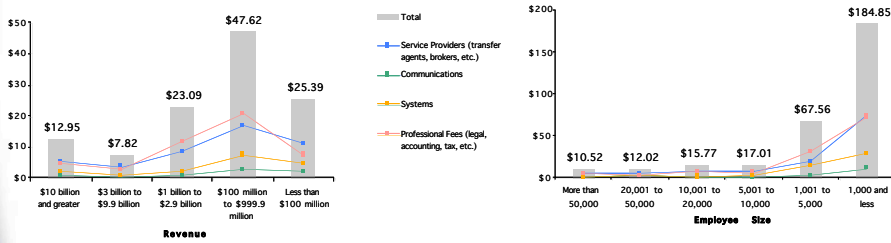
Cost of the plan(s)

- On average, across all respondents (large and small), companies spent an average of \$361,121 to support their stock plans.
- The largest cost (almost half) went to paying service providers (administrators)



Cost per employee

Average Cost of Stock Plan Administration per Employee



Cost difference between the U.S. and non-U.S. companies

Average Cost Per Employee

	US	International	Overall
Service Providers	\$ 5.74	\$ 8.06	\$ 5.85
Communications	\$ 0.89	\$ 2.57	\$ 1.09
Systems	\$ 1.58	\$ 4.03	\$ 1.72
Professional Fees	\$ 4.47	\$ 3.26	\$ 4.33
Total	\$ 12.68	\$ 17.92	\$ 13.01



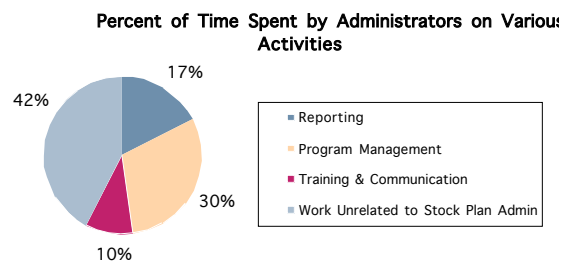
Impact of Issues on Responsibilities

- Although data quality was among the five most time consuming activities, data security was not.
- The most influential activity to impact the daily life of the stock plan administrator is government regulations and then working with auditors.
- We are pleased to see that internal politics ranks low in terms of time-consuming activities.

High Impact Activities		Low Impact Activities	
1	Government Regulations	1	Budget Justification
2	Internal/External Auditors	2	Internal Politics
3	Management Reporting	3	Internal Investigations
4	Participant Education	4	Software Provider Management
5	Data Quality	5	Data Security

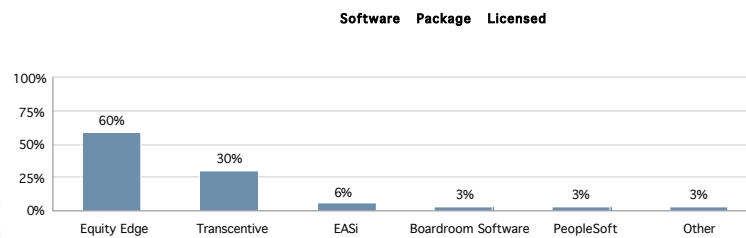
Utilization of time

- We were surprised to see that work unrelated to stock administration took up 42% of people's time. When asked what that time was spent on, it related either to plan design/participation selection or unrelated activities.
- Unfortunately, more time is spent on reporting than on training and communication.



Commercial software licensing

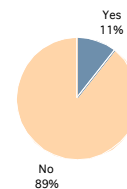
- 51% of respondents utilize a commercially available software package, regardless of whether they outsource or not.
- We did not include proprietary software owned by administrators (that were unable to be licensed by end users) in our questionnaire.



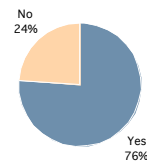
Little movement to new software platforms

- 11% of respondents had moved to a new software platform (either purchased or at an administrator).
- 24% were not convinced it had been a good idea, although 76% felt it had been worth the effort.

Moved to New Software in Past Ye

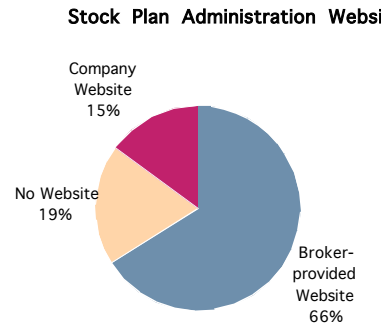


Moving was Good Idea



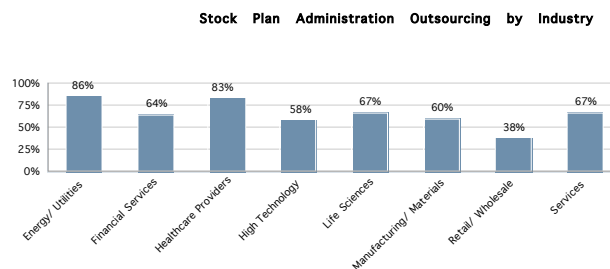
Participant websites

- Almost 80% of respondents provide a website in support of their administrative services
- Customized company websites are most prevalent in financial services and technology industries
- Broker-provided websites are most prevalent in healthcare and retail/wholesale



Outsourcing prevalence varies

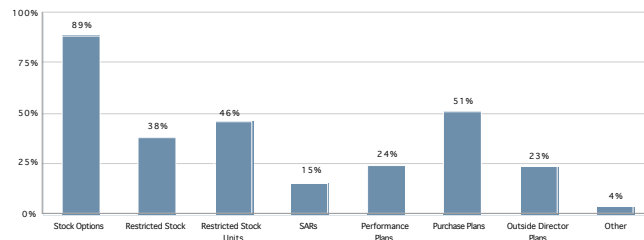
- 56.8% of companies surveyed report outsourcing some or all of their stock plan administration programs
- Larger companies appear more likely to outsource administration



Types of plan outsourced

- It appears that ESPP and Option plans are easily outsourced, although fewer companies have outsourced their restricted stock/RSU plans.

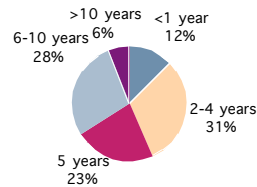
Prevalence of Outsourcing by Plan Type



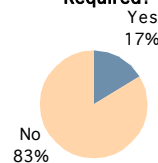
History with Service Provider

- We found a wide range in terms of the length of the relationship with the providers.
- We did find a bump in the number of companies using their providers between 2 and 10 years and feel this may be explained in the rise of outsourcing over the past 10 years.
- 57% have what are considered long term relationships (i.e., more than 4 years)

Years Using Current Service Provider



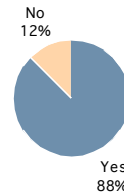
Periodic Provider Contract Rebid Required?



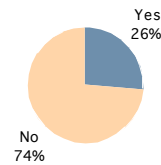
Additional services provided by outsourcing

- The trend for brokerage firms to provide outsourcing is supported with 88% of respondents reporting that their outsourcer provides brokerage services
- Only 26% reported that their administrator also provides transfer agent/registrars services

Brokerage Services Provided by Outsourcer



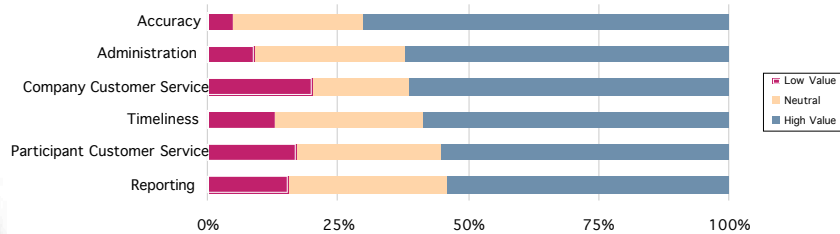
Outsourcer is Also Transfer Agent/Registrar



Perceived value of outsourcing initiative

- The most important attribute an administrator can provide is accuracy. Surprisingly, company customer service was seen, by comparison, to have the least value to survey participants.

Value Delivered by Current Service Provider



Many concerns remain about outsourcing

- Of companies not currently outsourcing stock plan administration services, 1/3rd report considering doing so. However the most common reason companies don't is their fear of losing control of their data. Pricing also appears to be an issue, with 30% challenged by the cost.



So, what about the future?

Where are we going?

- Assumptions:
 - Share plans are going global
 - Websites are prevalent
- Key Drivers:
 - Quality of Data & Management Information
 - Communication & Education is Important
 - Improved Brokerage services are required



Where are we going?

- Data & Management Information
 - Automatic File Upload
 - On-Line Validation
 - Data Warehousing
 - Self Service Reporting
 - Cross Border tracking of mobile employees



Where are we going?

- Communications
 - Use of targeted marketing
 - Text (SMS) messaging
 - Podcasts
 - Blackberry/Mobile Access
 - Blogs (MySpace/Vault.com)



Where are we going?

- Simplified Online Brokerage
 - Real-time trading
 - “Full Brokerage” for smaller shareholders
 - Holding Accounts for Vested Stock
 - Access to other savings vehicles



Where are we going?

- Social Drivers
 - Green Issues – the carbon neutral share plan?
 - Charitable Opportunities



Some final thoughts

- Focus on your goals
 - What do you need to reach them?
- Every company is different
 - Do what works for you and your employees



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