Global Equity Insights Survey 2019—Looking Back to the Future

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Survey Information
Global Equity Insights Survey – a success story for market intelligence since 2013

- The Global Equity Insights Survey is the seventh edition in a row:

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Topics</td>
<td>LTIP</td>
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<tr>
<td></td>
<td>ESPP</td>
<td>ESPP</td>
<td>Equity Admin</td>
<td>SPP</td>
<td>SPP</td>
<td>SPP</td>
<td>SPP</td>
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<tr>
<td></td>
<td>SOG</td>
<td>SOG</td>
<td>Equity Admin</td>
<td>Admin &amp; Communication</td>
<td>Administration</td>
<td>Communication</td>
<td>Individualization &amp; flexibility</td>
</tr>
<tr>
<td></td>
<td>Equity Admin</td>
<td>Equity Admin</td>
<td>Broad-based LTIP</td>
<td>Communication</td>
<td>Regulation</td>
<td>Communication</td>
<td></td>
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<tr>
<td>Questions</td>
<td>204</td>
<td>117</td>
<td>34</td>
<td>50</td>
<td>71</td>
<td>67</td>
<td>82</td>
</tr>
<tr>
<td>Participants</td>
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<td>169</td>
<td>144</td>
<td>148</td>
<td>163</td>
<td>154</td>
<td>148</td>
</tr>
</tbody>
</table>
Long-Term Incentives (LTI)
LTI spreads further

- In middle management, over 80% (compared to 70% in 2018) are now eligible for LTIs.
- We also observe a further increase in the key functions, with over 65% in 2019 compared to 55% in 2018:
LTIP portion (pay mix)

Which cultural changes and positive effects from higher LTIP do you expect?
SOGs mandatory for Management Board

- Almost all companies have implemented SOGs for their Management Board (over 90%), and a majority also for executives (65%).
- At the senior management level, 16% of companies have implemented SOGs:
The majority tracks the SOG's through employee responsibility or software

- SOG fulfillments are usually checked by self-reporting / in-house software or by the external banking provider.
Compliance with SOGs is not quite at target

- While 63% of companies reported a fulfillment rate of over 80%, 37% of companies reported an SOG fulfillment rate at significantly lower levels:

**Fulfillment of Share Ownership Guidelines (SOGs)**
(in % of companies)
Why aren’t SOGs consistently defined for all LTI-eligible employees?

Would you rather trust self-reporting or software to track SOG fulfillment?
Offering LTIs in China is seen as important

- Only 12% of the active companies in China have decided not to proceed with offering their LTI to employees in China.
- This increases to 21% for companies in other economic regions (ROW):
Save with SAFE?

- Across all economic regions, roughly half of all companies reported having submitted a SAFE Filing in China:

  **SAFE Filing in China**
  (in % of companies)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Europe</th>
<th>North America</th>
<th>Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>50%</td>
<td>49%</td>
<td>51%</td>
<td>50%</td>
</tr>
<tr>
<td>No</td>
<td>19%</td>
<td>14%</td>
<td>27%</td>
<td>11%</td>
</tr>
<tr>
<td>NA</td>
<td>31%</td>
<td>35%</td>
<td>39%</td>
<td></td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Question</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>What key considerations from your experience can you share for successfully implementing an LTIP in China?</td>
<td></td>
</tr>
<tr>
<td>Why are LTIPs so important for Chinese employees?</td>
<td></td>
</tr>
<tr>
<td>All the hassle with SAFE – is it worth the effort?</td>
<td></td>
</tr>
<tr>
<td>How many issuers in the room are active in China? How many consider entering China with their plans?</td>
<td></td>
</tr>
</tbody>
</table>
Share Purchase Plans (SPP)
European companies seem to consider local requirements more often

- Over 60% of European companies adapt SPPs based on local requirements or tax qualifications, whereas only about 30% of American companies do this:
“Make your employees entrepreneurs” is a main objective for companies worldwide.

- SPPs are most often introduced in order to promote various forms of entrepreneurship ("Share ownership" / "Employee engagement", etc.).

<table>
<thead>
<tr>
<th>Objectives for implementing Share Purchase Plans (in % of total companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share ownership</td>
</tr>
<tr>
<td>Identification with the company</td>
</tr>
<tr>
<td>Employee engagement</td>
</tr>
<tr>
<td>Motivation</td>
</tr>
<tr>
<td>Retention</td>
</tr>
<tr>
<td>Profit sharing / performance sharing</td>
</tr>
<tr>
<td>Stay competitive paywise</td>
</tr>
<tr>
<td>Talent acquisition &amp; Employer Branding</td>
</tr>
<tr>
<td>Best market pay practice</td>
</tr>
<tr>
<td>Strategy</td>
</tr>
<tr>
<td>very high</td>
</tr>
<tr>
<td>high</td>
</tr>
<tr>
<td>moderate</td>
</tr>
<tr>
<td>low</td>
</tr>
<tr>
<td>very low</td>
</tr>
</tbody>
</table>

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Objectives for implementing SPPs

- Can you see a difference in companies / BUs with and without SPPs?
- Is adaptation to local requirements appreciated by local employees?
North American employees invest the most

- At the median, employees in North American companies contribute on average 8% of their base salary annually:

  **Average contribution rate**  
  (in % of employees’ base salary)

<table>
<thead>
<tr>
<th>Quartile</th>
<th>Total</th>
<th>Europe</th>
<th>North America</th>
<th>Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Quartile</td>
<td>4%</td>
<td>2%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Median</td>
<td>5%</td>
<td>5%</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Third Quartile</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Employees of North American companies hold more share capital of their company

- While 2% of the share capital is employee-owned from SPPs at the median, employees of North American companies tend to hold even more share capital (3%):

Share capital held by employees under Share Purchase Plans
(in % of total shares outstanding)

- First Quartile: Total 1%, Europe 1%, North America 1%, Rest of World 2%
- Median: Total 2%, Europe 1%, North America 2%, Rest of World 3%
- Third Quartile: Total 3%, Europe 1%, North America 2%, Rest of World 4%
What factors drive the average contribution rate for your SPPs?

Is having a certain amount of the market capitalization held by employees a strategical target of companies?

Is having a certain amount of the market capitalization held by employees a strategical target of your company?
Individualization & Flexibility
LTI – Make it your choice?

- Of companies that operate more than one LTI Plan, 10% of companies reported allowing their participants to choose their LTI plan:

![Bar chart showing the percentage of companies allowing participants to choose between different LTI plan types by region.](chart)

- Total: 10%
- Europe: 10%
- North America: 11%
- Rest of World: 7%
Pay mix is not a choice

- Less than 2% of all companies allow LTI participants to define for themselves the amount of the LTI share in their Total Compensation package:

<table>
<thead>
<tr>
<th>Companies allowing participant to define how much of their Total Compensation package should be defined by an LTI (in % of companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
</tr>
<tr>
<td>Europe</td>
</tr>
<tr>
<td>North America</td>
</tr>
<tr>
<td>Rest of World</td>
</tr>
</tbody>
</table>

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If there is a choice:
What are the results, what are the advantages?

Who in the room would like to give employees a choice when it comes to LTI-plans?
LTIPs are used as more than just another compensation element

- 65% of all companies apply LTI grants outside the normal annual compensation package, and the vast majority of companies in North America does so:

**Companies allowing LTI grants outside of annual compensation**
(in % of companies)

<table>
<thead>
<tr>
<th>Region</th>
<th>Total</th>
<th>Europe</th>
<th>North America</th>
<th>Rest of World</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>65%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe</td>
<td>50%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>North America</td>
<td></td>
<td></td>
<td>84%</td>
<td></td>
</tr>
<tr>
<td>Rest of World</td>
<td></td>
<td></td>
<td></td>
<td>55%</td>
</tr>
</tbody>
</table>
Extraordinary LTI grants

What are the most prevalent reasons for applying grants outside of the normal compensation cycle and have they been successful?
More European companies plan to further standardize their Equity plans

- Nearly 40% of European companies plan to further standardize their equity plans, while only 26% of North American companies plan to do so:

**Planning of standardization of LTI plans**
(in % of companies)

<table>
<thead>
<tr>
<th>Region</th>
<th>Planning</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>29%</td>
</tr>
<tr>
<td>Europe</td>
<td>38%</td>
</tr>
<tr>
<td>North America</td>
<td>26%</td>
</tr>
<tr>
<td>Rest of World</td>
<td>11%</td>
</tr>
</tbody>
</table>
More standardization or more individualization – what is the future?

Is your company planning more standardization of equity plans (LTI and/or share purchase plan) due to digitalization?
Most companies do not distinguish between industry and jurisdiction

- About 20% of the participants distinguish between different industries (and jurisdictions) with regard to LTI plan design.

**Differentiation by industry / jurisdiction**
(in % of companies)

**Total**

- Yes, we already have differentiated LTI plans for specific industries: 7%
- Yes, we already have differentiated LTI plans for specific jurisdictions: 8%
- Yes, we plan on introducing differentiated LTI plans for specific industries: 2%
- Yes, we plan on introducing differentiated LTI plans for specific jurisdictions: 5%

**Europe**

- Yes, we already have differentiated LTI plans for specific industries: 8%
- Yes, we already have differentiated LTI plans for specific jurisdictions: 6%
- Yes, we plan on introducing differentiated LTI plans for specific industries: 3%
- Yes, we plan on introducing differentiated LTI plans for specific jurisdictions: 5%

**North America**

- Yes, we already have differentiated LTI plans for specific industries: 6%
- Yes, we already have differentiated LTI plans for specific jurisdictions: 8%
- Yes, we plan on introducing differentiated LTI plans for specific industries: 3%
- Yes, we plan on introducing differentiated LTI plans for specific jurisdictions: 0%

**Rest of World**

- Yes, we already have differentiated LTI plans for specific industries: 7%
- Yes, we already have differentiated LTI plans for specific jurisdictions: 8%
- Yes, we plan on introducing differentiated LTI plans for specific industries: 0%
- Yes, we plan on introducing differentiated LTI plans for specific jurisdictions: 0%
Different LTI plans across the world

- SPPs are adjusted much less frequently than LTI plans. LTI plans are often adjusted by changing the settlement type and by ‘other changes.’
- SPPs are mostly adapted to achieve tax optimization. Companies reported making adjustments especially in France, Israel and the UK:

<table>
<thead>
<tr>
<th>Change Type</th>
<th>LTI</th>
<th>SPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax optimized</td>
<td>14</td>
<td>24</td>
</tr>
<tr>
<td>Change in plan type</td>
<td>9</td>
<td>31</td>
</tr>
<tr>
<td>Change in settlement type</td>
<td></td>
<td>72</td>
</tr>
<tr>
<td>Change in vesting</td>
<td>15</td>
<td>1</td>
</tr>
<tr>
<td>Other change</td>
<td>1</td>
<td>78</td>
</tr>
</tbody>
</table>

*Country adaptation for equity plans (in number of responses)*
LTIP Differentiation

Why do so many companies maintain a standardized approach to their LTIPs?
Communication
"You’ve got mail" is still the most used communications tool

- While e-mails are still the most important means of information, other digital means of information are becoming increasingly important.
- This includes digital brochures or flyers as well as the intranet.
Communication tools

How has the equity communications landscape changed over the past years and which generates the most added value today?

Who is using “social media” for communication purpose?
Outsourcing communications can be seen in the market

- One fourth of all companies reported leaving the creation and implementation of communication campaigns to external providers.

<table>
<thead>
<tr>
<th>Outsourcing of communications (in % of companies)</th>
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</thead>
<tbody>
<tr>
<td>Yes</td>
</tr>
<tr>
<td>No, we do not have the budget</td>
</tr>
<tr>
<td>No, we have internal support to deliver</td>
</tr>
<tr>
<td>No, we have never considered it</td>
</tr>
<tr>
<td>No, other reasons</td>
</tr>
</tbody>
</table>

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When would it make sense to at least partially outsource equity communications?
Financial education is an important topic in America

- In the context of communication, financial education continues to be much more important in the North America than in Europe.

**Priority of financial education**

(in % of companies)
Why is financial education so important?
Thank You

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  - Paper surveys available at the door