



**FUTURE LEADER
OF GLOBAL
EQUITY**

MAKING THE BUSINESS CASE FOR EQUITY-BASED COMPENSATION

A Practical Framework for Driving Equity Adoption

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EXECUTIVE SUMMARY: THE BUSINESS CASE FOR EQUITY-BASED COMPENSATION

Equity-based compensation has evolved from a supplemental perk into a core component of modern corporate strategy driven by its ability to align employee interests with shareholder outcomes, enhance retention, and support long-term value creation.

In today's environment of heightened talent competition and cost discipline, organizations are increasingly turning to equity as a scalable alternative to cash compensation.

88% of companies use equity to improve retention

70% link equity directly to company performance

#1 challenge: Employee understanding — not plan design

This white paper, developed by the Global Equity Organization's (GEO) Future Leaders Program Class of 2024, addresses that gap. By synthesizing survey data from 49 senior practitioners managing global plans with academic research and industry analysis, this paper presents a data-driven framework for designing, scaling, and defending employee share schemes ('ESS').

The evidence supports a clear conclusion: When intentionally designed and effectively communicated, equity compensation is a high-impact lever that drives organizational performance, talent retention, and workplace culture.

THE CORE BUSINESS CASE: THREE STRATEGIC PILLARS

Our findings reveal that the business case for equity rests on three interconnected pillars that drive enterprise value:

- 1. Performance and Financial Alignment:** Equity transforms the employee mindset from "renter" to "owner." Research shows that companies with broad-based ownership models consistently outperform peers in retention and productivity. By aligning individual financial outcomes with shareholder interests, organizations create a shared commitment to long-term value creation.
- 2. Talent Retention in a Competitive Market:** In industries like Technology and Financial Services, equity is now "table stakes." Our survey data confirms that 88% of organizations implement discretionary plans specifically to improve retention, with 86% finding them effective in achieving that goal.
- 3. Culture and Psychological Ownership:** Beyond financial rewards, equity fosters "psychological ownership", which is a sense of belonging and responsibility. All-employee schemes (ESPPs and all-employee grants) reinforce inclusion, while performance-based schemes (LTIPs) drive accountability among leadership.

CRITICAL INSIGHTS AND CHALLENGES

While the benefits are clear, the white paper identifies specific challenges that threaten the Return on Investment (ROI) of these programs:

- **The Communication Gap:** The greatest threat to equity effectiveness is not plan design, but a lack of employee understanding. Despite the high cost of these programs, “Communication and employee understanding” was cited as the #1 administrative challenge by practitioners. If employees do not understand the value or mechanics of their awards, the retention and motivational value is lost.
- **The Inclusion Imperative:** Data reveals significant wealth gaps within ESS, with women and minority groups frequently holding lower equity value than their counterparts. The modern business case must address these disparities through regular audits to ensure equity programs do not unintentionally reinforce systemic inequality.
- **Global Complexity:** For 71% of respondents operating across multiple jurisdictions (e.g., 11 or more countries), the administrative burden of tax and regulatory compliance is significant. Successful global programs require a balance of standardized core rules with localized adaptations.

Biggest risk to ROI?

Poor communication and low employee understanding can completely undermine the value of equity plans

THE PATH FORWARD: FROM INSIGHT TO ACTION

For organizations to maximize the strategic potential of their equity compensation, they must move beyond simply “offering stock.” This paper recommends a shift toward:

- **Elevating Communication:** Poor communication and low employee understanding are the biggest risks to plan effectiveness. Treat equity education as a strategic priority, not an administrative task.
- **Designing with Intent:** Align plan design to purpose—use time-based equity for retention and performance-based equity for outcomes.
- **Auditing for Fairness:** Equity plans can reinforce disparities if not carefully designed. Regularly review grant data to ensure alignment with DEI objectives.

SUMMARY OF KEY FINDINGS

BENEFITS FOR EMPLOYEES AND COMPANIES

- Aligns employee and shareholder interests, increasing engagement, retention, productivity, and long-term financial performance.
- Companies benefit from stronger retention (88%), employer attractiveness, and improved performance (70%).
- Creates a self-reinforcing cycle where ownership behaviors drive stronger company results and higher equity value, enables employee wealth creation and financial security while helping companies attract talent, improve performance, and conserve cash.

CULTURE AND TALENT PHILOSOPHY

- Equity strategy reflects organizational values: broadbased ownership vs. leadership-focused performance culture.
- All-employee plans drive engagement (86%) and belonging; discretionary plans focus on accountability and measurable results.
- Combining both approaches, supported by clear intent, communication, and governance, links strategy, culture, and sustainable value creation.

GEOGRAPHY AND WORKFORCE DEMOGRAPHICS

- Offering global ESS brings major complexity: tax, compliance, mobility, and execution across multiple jurisdictions.
- Global ESS require thoughtful design and intentional action to reduce wealth gaps that exist and ensure fairness across demographics.
- Companies must balance standardization with local adaptability to ensure consistent outcomes.

PERFORMANCE AND RETENTION GOALS

- ESS create strong alignment between employee and corporate objectives, driving positive behaviors and long-term success.
- Retention is the dominant objective for global companies offering ESS; 88% for discretionary plans, 69% for all-employee plans.
- ESS drive long-term employee commitment and reduces turnover.

EQUITY IS NOW A MARKET STANDARD

- In many sectors, equity is now a baseline expectation for employees.
- Peer benchmarking and governance frameworks heavily influence plan design, as companies focus on building a total reward package that is competitive and appropriate.
- RSUs dominate discretionary plans; RSUs and ESPPs lead for all-employee plans.

FINANCIAL AND SHARE CONSTRAINTS

- Dilution and accounting expense are major constraints requiring careful consideration.
- ESS require substantial company investment, making budgeting and tax planning critical.
- Effective communication and employee understanding is the primary challenge, particularly surrounding the tax implications for participation.

¹ Statistics referenced in this Key Findings section refer to the aggregate responses provided to the survey, which forms the basis of this paper.

INTRODUCTION

This white paper, developed by the Global Equity Organization's (GEO) Future Leaders Program Class of 2024, stems from the recognition that while the strategic benefits of employee share ownership are often well understood within the compensation and benefits community - and widely supported in academic circles - there is still a need for a resource that is both data-driven and practically applicable in today's workplace.

Research consistently shows that companies leveraging Equity-based Compensation Plans, or Employee Share Schemes (ESS), outperform those that do not across a range of tangible and intangible metrics, including return on equity, employee retention, and workplace culture. However, designing and implementing a successful share plan requires significant investment to ensure it achieves its objectives, aligns with broader corporate strategy and values, and educates participants on the benefits of share ownership. For professionals, the challenge lies in presenting a clear, evidence-backed business case to senior leadership and shareholders - one that weighs potential benefits against the required investment.

This paper aims to serve as a starting point for professionals to build their own business cases by consolidating insights from academic research and industry analysis. To do this, the following discussion draws on quantitative data from a global survey - Making the Business Case: Encouraging Companies to Adopt Equity-Based Compensation - of 49 stock compensation professionals, combined with an extensive review of leading academic studies and industry reports.

The paper will outline the business case across several key pillars: financial performance, talent management, corporate culture, and strategic design - creating a clear framework for professionals. It will examine the unique value propositions of both discretionary and all-employee schemes, address the complex challenges of global implementation and equitable distribution, and ultimately provide an actionable roadmap for leveraging equity as a cornerstone of a forward-thinking talent and business strategy.

OBJECTIVES

The primary goal of this white paper is to offer a data-driven framework that companies can use to determine whether an employee share plan aligns with their unique corporate values and strategic objectives.

To achieve this primary aim, this paper pursues several specific objectives:

To Analyze and Interpret Current Market Practices: The paper will dissect quantitative proprietary survey data gathered from 49 industry professionals at companies delivering their own share plans, to reveal current market practices, strategic objectives, and persistent challenges in the design and administration of both discretionary and all-employee stock plans. This quantitative primary data provides a unique, real-world snapshot of how leading companies are currently leveraging equity.

To Synthesize Primary Data with Academic and Industry Research: The findings from our survey will be put into context, cross-checked, and enriched through a thoughtful blend of leading academic research and

Despite strong evidence, many organisations still struggle to clearly articulate the business case for equity

industry reports. This integration of theory and practice aims to build a more comprehensive and defensible business case - one that not only highlights the measurable benefits of equity programs but also addresses the practical realities of implementation.

To Delineate the Business Cases for Different Plan Types: The analysis will dive into the distinct business cases for both discretionary plans - such as executive Long-Term Incentive Plans (LTIPs) - and all-employee schemes, Employee Stock Purchase Plans (ESPPs). By examining each of their unique objectives, target populations, and performance impacts, this paper will offer practical guidance on how each can be strategically applied. It will also highlight the factors that influence plan effectiveness, helping professionals align these programs with broader organizational goals.

To Provide Actionable, Evidence-Based Recommendations: The paper will conclude by translating its analytical findings into a set of clear, actionable recommendations. These recommendations are designed to help organizations overcome common implementation hurdles and maximize both the strategic impact and financial return of their equity compensation programs. In addition, it will emphasize practical steps that professionals can adopt immediately to bridge the gap between insight and execution.

METHODOLOGY AND APPROACH

The analytical framework of this white paper is built on a two-layered approach. First, it draws on primary data collected through a survey of industry professionals, capturing real-world insights from those directly involved in equity compensation. Second, it incorporates an extensive review of academic studies and leading industry research to provide depth and context. This combination ensures that the findings are firmly rooted in current market realities while supported by an evidence-based analysis. By blending practical experience with scholarly perspective, the paper offers a well-rounded foundation for informed decision-making.

The GEO Future Leaders Class of 2024 developed a 36-question survey designed to capture quantitative data on company profiles, global footprints, share plan design, objectives, self-reported effectiveness metrics, and the challenges organizations face with equity-based compensation. This survey provides a detailed snapshot of how companies structure and manage equity programs across different regions and employee groups, offering valuable insights into current practices and pain points.

The survey was completed by respondents between August and October 2025.

The respondents to the survey were professionals, whose profiles provide a credible and relevant cross-section of the global equity compensation landscape:

Respondent Role and Affiliation: The respondents are overwhelmingly senior-level professionals directly involved in managing stock plans, including many with global responsibility for all aspects of remuneration. This company-led sample ensures the data reflects real-world experiences and the perspectives of those who oversee these programs internally. By drawing on insights from decision-makers, the findings offer a practical view of how equity compensation strategies are shaped and executed within organizations today.

Geographic Distribution: The survey respondents are primarily based in North America and Europe, with the United States accounting for more than half of all responses and the United Kingdom representing roughly a quarter. Beyond these core markets, the survey captures a broader global perspective, including input from companies in Canada, Israel, Australia, Japan, and several European countries such as Sweden, Denmark, the Netherlands, and Hungary. This mix provides valuable insight into how equity compensation is approached across diverse regions and cultural contexts.

Industry Representation: The survey respondents come from a wide range of industries, with Technology, Financial Services, Consumer Goods and Services, and Industrial sectors such as energy and materials - being the most strongly represented.

This diversity provides a broad perspective on how share plans and how equity-based compensation are approached across different business models and market environments.

Company Profile: The respondents are dominated by large, established organizations. Most respondents come from companies with market capitalizations above \$10 billion, followed by those in the \$2–10 billion range, reflecting the perspective of major enterprises with significant resources. In terms of maturity, the sample includes both legacy corporations - publicly listed for over 25 years - and modern firms that have been public for 3–10 years. While the majority represent publicly traded companies on major exchanges like NYSE, NASDAQ, and LSE, a small but notable share of private companies adds diversity to the dataset.

This foundation provides a clear view into how equity compensation is designed and managed across industries, regions, and company sizes. By combining our global survey data with academic and industry research that follows, the paper moves beyond theory to provide insights that reflect both market realities and proven practices. It's not just about understanding what companies are doing - it's about uncovering why these approaches matter and how they shape outcomes for organizations and employees alike.

With that context in place, the next section explores the multi-faceted business case for equity compensation. It breaks down the key drivers behind share plans, from their impact on employee engagement and retention to their role in shaping culture, competitiveness, and financial performance. The following sections examine how geography, workforce demographics, and market norms influence plan design, and where constraints - such as share availability - come into play. Together, these findings set the stage for actionable strategies that help organizations turn equity into a cornerstone of long-term success.

KEY FINDINGS: THE MULTI-FACETED BUSINESS CASE FOR EQUITY COMPENSATION

This whitepaper explores six critical dimensions that shape the design and effectiveness of equity compensation programs.

1. Benefits for Employees and Companies in Having Equity Compensation;
2. Culture and Talent Philosophy;
3. Geography and Workforce Demographics;
4. Performance and Retention Goals;
5. Market Competitiveness and Industry Norms; and
6. Financial and Share Constraints.

1. BENEFITS FOR EMPLOYEES AND COMPANIES IN HAVING EQUITY COMPENSATION

TARGET AUDIENCE: EMPLOYEES AND EQUITY PRACTITIONERS

WHY THIS MATTERS

This section establishes the fundamental value proposition of equity compensation. It demonstrates how share plans move beyond simple remuneration to create a partnership between the workforce and the organization. By reviewing the data on psychological ownership and financial outcomes, we show that these programs drive tangible results for both the balance sheet and the individual employee.

Equity-based compensation and employee share plans are built on a win-win scenario for both employers and employees. They create a shared sense of purpose that fosters responsibility and loyalty, provides a competitive edge in compensation packages, and drive motivation and productivity. Research consistently highlights the benefits of equity compensation programs, which we will explore throughout this paper.

FOR EMPLOYEES: AN INVESTMENT IN PERSONAL AND FINANCIAL WELL-BEING

For employees, equity compensation goes beyond the traditional salary-and-bonus structure, offering a stake in the company's future and a path to potentially significant financial growth.

'We take better care of the things we own'

— Psychological ownership drives engagement and accountability

Psychological Ownership and Engagement: Beyond the financial aspect, equity may also create a sense of "psychological ownership". Holding a stake in the company, no matter the size, transforms an employee's relationship with their work. "We simply take better care of the things that we own" Emily Cervino, Head of Industry Relationships and Thought Leadership at Fidelity Investments (Cervino, 2024). It instills a sense of pride, control, and meaning, which can contribute to higher job satisfaction and overall happiness.

² These charts were made possible through a contract between the Employee Ownership Foundation and the National Opinion Research Center at the University of Chicago for questions on the General Social Survey. Analysis of the data was done on a volunteer basis by Professor Joseph Blasi and Professor Douglas Kruse of the Institute for the Study of Employee Ownership and Profit Sharing, Rutgers University School of Management and Labor Relations, 2019.



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Previous research supports this point. The General Social Survey conducted in 2018 by Douglas Kruse and Joseph Blasi found that:

- 72% of employees would prefer to work for an employee-owned company rather than one that is investor-owned or state-owned; and
- 61% said they would choose a job with employee ownership when comparing two otherwise similar positions (Blasi & Kruse, 2018).



Alignment of Interests: When employees become owners, their financial interests align directly with those of external shareholders. This shift encourages them to think and act like owners, prioritizing decisions that drive long-term value rather than short-term personal gain. That alignment reduces conflicts of interest and fosters a unified, purpose-driven organization with stronger engagement and longer tenure. Beyond retention, ownership often sparks a deeper sense of accountability and collaboration, creating a culture where employees see themselves as partners in the company’s success.

Wealth Creation and Financial Security: The most direct benefit is the opportunity for wealth creation tied to the company’s success. As the stock price appreciates, so does the value of an employee’s holdings. This can be a powerful tool for achieving long-term financial goals and enhancing overall quality of life. This is a primary driver for companies offering these plans; When asked, ‘What are the objectives for implementing your discretionary plan?’ and ‘What are the objectives for implementing your all-employee plan?’ our survey data shows that providing a financial incentive for employees ranks among the top three objectives for both types of plans:

- 70% of respondents for discretionary plans; and
- 72% for all-employee plans.

83% of respondents indicated that their plan was moderately to very effective in achieving this goal, underscoring the importance and perceived success of financial incentives as a core driver of plan design.

Further, in the 2025 Workplace Survey conducted by Charles Schwab, which included 420 stock plan participants, respondents were asked: ‘Thinking about your equity compensation, which of the following statements apply to you?’

- 50% said they believe equity compensation will help them reach their retirement goals;
- 38% indicated it will significantly help build or increase their wealth; and
- 32% noted it will help alleviate some of their financial stress.

These findings highlight the critical role equity compensation plays in supporting long-term financial security and wealth creation (Schwab, 2025). For many employees, equity is not just an additional benefit - it is viewed as a strategic tool for achieving major life goals, from retirement readiness to reducing financial strain.

FOR COMPANIES: A STRATEGIC TOOLKIT FOR SUSTAINABLE GROWTH

For employers, offering equity is a strategic investment in the human capital that drives the business forward.

Talent Attraction and Retention: In today’s competitive talent market, equity remains a powerful lever for attracting and retaining top performers. Our survey results underscore this: the leading objective for discretionary plans is “Increased employee retention,” cited by 88% of respondents. Additionally,

“Increased attractiveness as an employer” ranks among the top goals for both plan types:

- 64% for discretionary plans; and
- 59% for all-employee plans.

These aren’t just theoretical benefits; they reflect real-world outcomes for participants. Recent research reinforces this point. Morgan Stanley

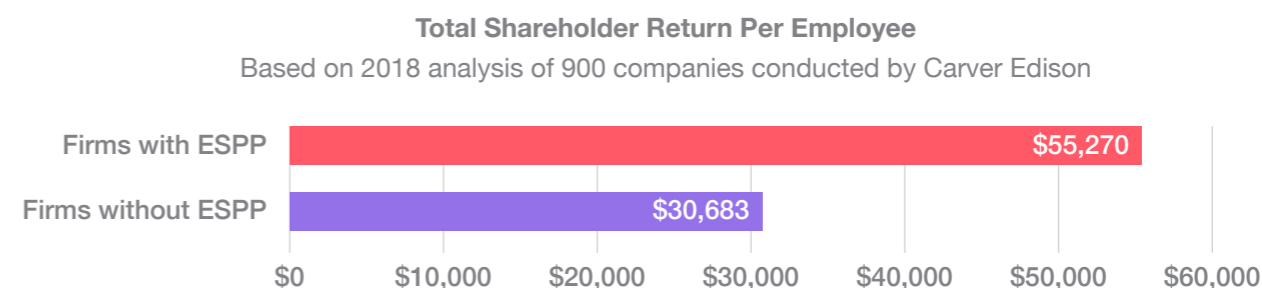
at Work’s 2025 Employees Survey and HR Leaders Survey found that the number one strategic financial priority for companies is “Hiring and Retention,” highlighted by 59% of their 1,600 survey participants (Morgan Stanley at Work, 2025).

Driving Performance and Productivity: A motivated and aligned workforce is a productive one. In our survey, when companies were asked about the objectives for implementing discretionary plans, “Improved company performance” ranked as a key goal for 70% of respondents - the second most selected objective after “Increased employee retention,” which we’ve already emphasized above.

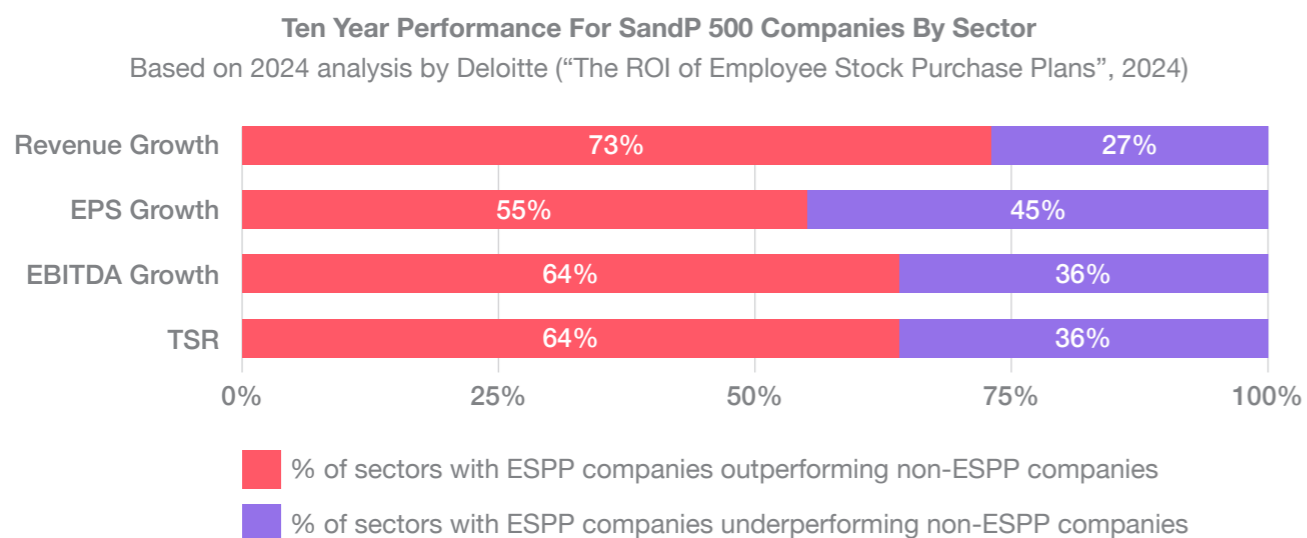
When looking at the link between productivity and participation in all-employee plans, a London School of Economic study shows that employees who joined an all-employee plan - compared to similar non-participants - showed stronger commitment to the company and greater job satisfaction, a factor closely tied to higher workplace productivity. They also demonstrated productivity-enhancing behaviors, such as working longer hours and taking fewer sick days. Further, seven out of ten employees said the company offered the plan “to make me feel part of the firm,” while six out of ten cited “to keep me with the company longer (London School of Economics, 2015). When looking at company performance specifically, an analysis by Carver Edison of nearly 900 technology, healthcare, and financial services companies listed on NYSE and NASDAQ with at least 500 employees in 2018 shows that firms offering ESPPs significantly outperform those without. The 472 ESPP companies delivered:

- 43% higher return on equity; and
- 24% higher return on invested capital.

Despite operating with lower leverage and EBITDA margins. On average, ESPP firms generated \$55,270 in shareholder returns per employee compared to \$30,683 for non-ESPP firms - a 44.5% difference (Carver Edison, 2018).



More recently, Deloitte published an article examining the return on investment in Employee Stock Purchase Plans. The study found a striking impact on key financial metrics over time. Looking specifically at 10-year performance, companies within eleven different sectors offering ESPPs consistently outperformed those without such programs. This suggests that ESPPs are not only a tool for employee engagement but also a driver of long-term shareholder value, reinforcing their role as a strategic investment rather than a simple benefit (Deloitte, 2024).



Cash Conservation: For startups and companies in high-growth phases, equity compensation is an essential tool for managing cash flow. By replacing part of cash salary with equity, businesses can conserve capital for reinvestment in product development, market expansion, and other growth priorities. While our survey didn't rank reduced reliance on cash compensation as the top objective for implementing discretionary or all-employee plans, it was still a meaningful factor - cited by 30% and 24% of respondents, respectively. This underscores the enduring value of stock plans as a financial management strategy. Beyond cost management, equity also signals confidence in the company's future, strengthening employee alignment with long-term goals. In competitive markets, this dual benefit - capital preservation and workforce engagement - can be a decisive advantage for growth-focused organizations.

PUBLIC VS. PRIVATE COMPANY DYNAMICS

The focus of a business case often depends on a company's ownership structure. For public companies, which make up most of our survey sample, the case is typically shaped by external pressures: attracting top talent, meeting institutional investor expectations, and maintaining a strong focus on total shareholder return (TSR). With liquidity readily available, the value proposition is immediate and tangible.

For private companies, the business case is more internally driven and long-term. Equity helps conserve cash during periods of growth, creates "golden handcuffs" that retain critical talent over multiple years, and supports an "all-hands-on-deck" culture focused on a future liquidity event such as an initial public offering (IPO) or an acquisition. The value proposition here is less about near-term gain and more about the potential for a meaningful long-term outcome. When a smaller private company or start-up competes for top talent, it often cannot match market salaries. Equity becomes a compelling alternative by offering candidates a stake in the company and the possibility of upside well beyond traditional pay.

These aligned and motivated employees tend to display behaviors such as discretionary effort, innovation, and co-monitoring. Over time, these behaviors improve operational and financial performance, which can

drive the company's share price higher. As the share price rises, the value of employee equity increases, reinforcing satisfaction, validating commitment, and strengthening retention. In this way, equity becomes more valuable precisely because it drives the behaviors that lead to better performance. The business case is not a static list of benefits, but an ongoing engine of value creation.

2. CULTURE AND TALENT PHILOSOPHY

TARGET AUDIENCE: BOARD DIRECTORS, SENIOR HR/FINANCE LEADERS, EQUITY PRACTITIONERS

WHY THIS MATTERS

This section examines how plan design functions as a direct reflection of corporate values. This analysis distinguishes between the performance focused approach used for senior leadership and the broad-based philosophy designed to foster an inclusive ownership culture. Understanding these two paths allows organizations to intentionally select a strategy that supports their specific talent philosophy and long-term vision.

Ownership culture fosters accountability, resilience, and discretionary effort, aligning employee behavior with long-term strategic goals. The decision to grant equity -and more importantly, how it is implemented - is one of the clearest ways a company expresses its values and talent philosophy.

Equity is not just a financial tool; it is a statement about how the organization views its people and their role in creating value. It tells employees they are not just working here; they are part of this. When designed and communicated effectively, equity becomes a powerful driver of performance, retention, and culture.

Our research highlights two complementary mindsets behind equity strategies: one focused on building an inclusive culture of ownership, and another designed to recognize and retain high-impact leaders through performance-driven awards.

THE OWNERSHIP CULTURE

Equity compensation is more than a financial incentive; it sends a strategic message about shared success and inclusive wealth creation. When companies offer equity they:

- align employee interests with shareholders; and
- reinforce a culture of ownership.

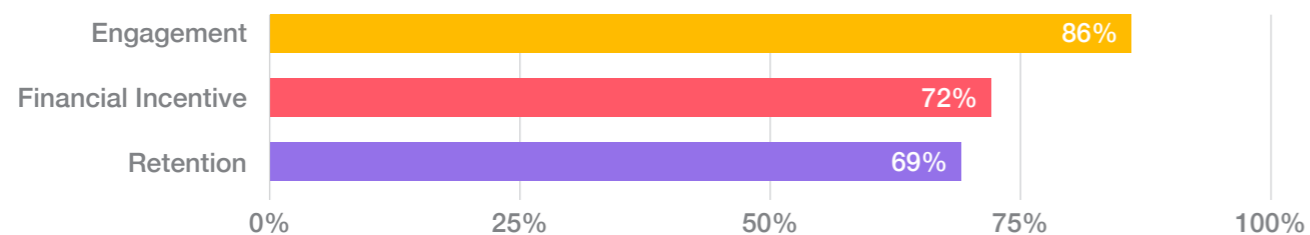
This alignment is critical in today's workplace, where top talent - and employees in general - seek purpose and inclusion.

Equity is not just compensation — it is a statement about how a company values its people

Equity ownership strengthens retention by creating a shared sense of ownership between recipients and with shareholders.

Our survey findings show that the intent behind these plans goes far beyond financial reward. When asked, "What are the objectives for implementing your all-employee plans?" the most common response was enhancing employee engagement, cited by 86% of respondents. This priority is as important - if not more - than financial incentives, showing that companies increasingly view equity as a cultural driver, not just a compensation lever.

Top Objectives For All-Employee Plans Based On GEO Future Leaders Program Survey 2025



Organizations recognize that all-employee equity schemes do more than create potential wealth - they foster a sense of belonging and shared purpose. By giving employees a stake in the company’s success, these plans reinforce the message that every individual contributes to value creation and should share in the rewards. This approach:

- strengthens engagement;
- builds loyalty; and
- helps cultivate an ownership mindset that aligns with long-term strategic goals,

Unlike top-down leadership grants, support for these inclusive programs comes from across the organization. Nearly half of respondents (48%) cited the general employee population as key advocates for maintaining or expanding all-employee participation. Research reinforces this perspective, showing that well-designed ESS can significantly boost engagement by fostering psychological ownership and aligning individual goals with the broader success of the company.

This closely reflects the concept of a high-performance ownership culture as defined by the National Center for Employee Ownership (NCEO):

- a culture where people understand how the business works;
- have access to information; and
- share in the results they help create.

This grassroots advocacy is critical because organizations that actively involve employees in ESS consistently report greater overall satisfaction, engagement, and retention.

Studies consistently show that when broad financial participation is combined with employee empowerment and a positive workplace culture, companies are able to cultivate a sense of shared purpose and belonging, with employees becoming true culture carriers. Equity, when understood, becomes a retention mechanism—not simply a reward. Ownership, in this sense, becomes both a mindset and a mechanism for sustainable growth.

THE PERFORMANCE-DRIVEN EXECUTIVE FOCUS

This philosophy treats equity as a strategic tool designed to:

- attract;
- retain; and
- motivate

High-performing companies don’t choose one approach—they combine both executive and broad-based plans

the leaders and critical talent whose decisions most directly influence the company’s success. Rather than serving as a broad cultural initiative, it functions as a targeted mechanism to align leadership behavior with long-term business goals.

In practice, this often takes the form of discretionary executive plans such as Long-Term Incentive Plans (LTIPs), where awards are closely tied to measurable outcomes like performance metrics.

Our survey data reinforces this approach: the top two responses to the question “What are the objectives of implementing your discretionary plans?” were increased employee retention (88%) and improved company performance (70%).

	Discretionary Plans (Executive Focus)	All-Employee Plans (Ownership Culture)
Primary Objectives	Increased employee retention (88%) Improved company performance (70%) Financial incentive for employees (70%)	Increased employee retention (86%) Improved company performance (72%) Financial incentive for employees (69%)

From the company’s perspective, LTIPs for executives boil down to two priorities:

1. keep key leaders in place; and
2. ensure they deliver results.

In today’s competitive talent market, these plans are essential. Gallup estimates that replacing a departing executive can cost around 200% of their annual salary, making retention a critical financial and strategic priority (Gallup, 2024).

Our survey shows that support for these plans is strongly top-down. When asked, “Who were the main advocates for implementing discretionary plans in your organization?” respondents overwhelmingly pointed to executive leadership (82%) and boards of directors (59%) as the primary sponsors.

	Discretionary Plans (Executive Focus)	All-Employee Plans (Ownership Culture)
Main Advocates	Executive leadership (82%) Board of directors (59%) Shareholders (24%)	Executive leadership (86%) Board of directors (62%) General employee population (48%)

This reinforces the connection between leadership, performance, and shareholder outcomes. The link between senior management’s rewards and shareholder value remains a cornerstone of modern corporate governance. Beyond governance, this alignment signals confidence in leadership and ensures that those making the most critical decisions are fully invested in driving long-term success.

Yet, while these performance-driven programs are essential, they tell only part of the story. Many companies now combine executive LTIPs with all-employee schemes, a hybrid approach embraced by 58% of organizations surveyed. Sustainable performance depends not only on incentivizing leaders, but also on engaging the wider workforce through shared ownership.

	Discretionary Plans (Executive Focus)	All-Employee Plans (Ownership Culture)
Most Common Vehicle	Restricted stock units (51%) Performance share units (14%)	Restricted stock units (34%) Employee stock purchase plans (34%)

The most effective companies use leadership equity to drive accountability, but they also cultivate inclusion through shared ownership. This dual approach recognizes that sustainable performance depends not only on incentivizing top leaders, but also on engaging the wider workforce in the company's success.

The data suggests this cultural dimension matters. Organizations that build an ownership mindset throughout their workforce are more likely to be recognized as "best places to work," and those recognitions often correlate with superior long-term financial performance. In fact, a Deloitte study found that companies offering Employee Share Purchase Plans, a hallmark of inclusive ownership, received twice as many "best employer" awards as those without (Deloitte, 2024). These findings highlight that ESS, when thoughtfully designed and broadly communicated, can become a powerful lever for both business results and a positive, resilient organizational culture.

Performance-driven equity keeps leaders focused, while broader share ownership builds the belief and commitment that sustain results over time. When both philosophies work together, equity becomes a bridge between strategy, culture, and lasting value creation that supports recruiting, retaining, and rewarding employees. This dual approach ensures that organizations not only achieve short-term goals but also strengthen the foundation for long-term success.

TWO EQUITY PHILOSOPHIES: A COMPARISON OF PLAN OBJECTIVES AND ADVOCACY

TRANSLATING EQUITY PHILOSOPHY INTO PRACTICE

Equity programs are as much about shaping culture as they are about distributing rewards. The way a company designs, communicates, and governs its share plans signals its values and view of talent. To make equity meaningful, organizations should focus on five key principles:

Clarify Intent: Decide what story the ESS should tell, whether it is fostering shared ownership across the workforce through RSUs and ESPPs or driving performance among senior leaders through targeted LTIPs.

Clarity of intent is essential because when employees understand why the plan exists, they are more likely to value and engage with it.

Match Design to Audience: Complex performance-linked plans work best for senior leadership, where alignment with strategic Key Performance Indicators (KPIs) justifies the effort. For broader employee groups, simpler designs supported by financial education help build understanding and perceived value.

When employees know how the plan works and how it benefits them, participation increases, and the sense of ownership grows.

Educate and Communicate: Data consistently shows that communication is the single biggest determinant of equity ROI.

Clear, ongoing education on vesting, taxation, and payout scenarios reduces confusion, builds trust, and turns equity from a technical benefit into a meaningful one.

Test and Refine for Long-Term Success: Before scaling, start with a pilot program or gradual rollout. This approach allows to gather feedback, make informed adjustments, and manage compliance, dilution, and operational risk.

Regular reviews help ensure the plan continues to meet its objectives.

Govern with Discipline: Strong executive sponsorship, transparent metrics, and active oversight from HR and finance are essential for credibility and long-term sustainability.

These elements show leadership commitment and provide clear accountability for outcomes. Transparent metrics help everyone understand how success is measured and build confidence that decisions are based on objective data.

When implemented thoughtfully, these practices transform equity from a simple financial mechanism into a powerful strategic tool for engagement, retention, and cultural alignment.

Equity delivers its full value only when design, governance, and communication work together - connecting individual contribution to long-term success.

3. GEOGRAPHY AND WORKFORCE DEMOGRAPHICS

TARGET AUDIENCE: HR LEADERS AND EQUITY PRACTITIONERS

WHY THIS MATTERS

Global expansion and workforce diversity introduce significant complexity to plan design. This section outlines the operational realities of managing plans across multiple jurisdictions while addressing the critical issue of financial inclusion. It argues that navigating these challenges is necessary to ensure consistent and fair outcomes for a modern and geographically dispersed workforce.

For multinational corporations, the business case for equity compensation must address the complexity of global implementation and the growing expectation for fair and consistent outcomes across a diverse workforce. These challenges are significant, but they also create opportunities for companies to demonstrate leadership in global talent management and corporate responsibility. Organizations can take a creative approach when determining which equity awards to offer in each jurisdiction, balancing local regulations, tax requirements, and cultural preferences.

Pilot programs are an effective way to test adoption and measure impact before committing to a full rollout. They allow companies to gather feedback, refine plan design, and adjust communication strategies to ensure clarity and engagement. Beyond operational considerations, this process signals a commitment to fairness and inclusion, strengthens trust among employees worldwide, and reinforces the company's reputation as an employer of choice. Ultimately, thoughtful global equity strategies not only support compliance and efficiency but also build a unified culture that connects employees to the organization's long-term vision and success.

THE GLOBAL COMPLEXITY CHALLENGE

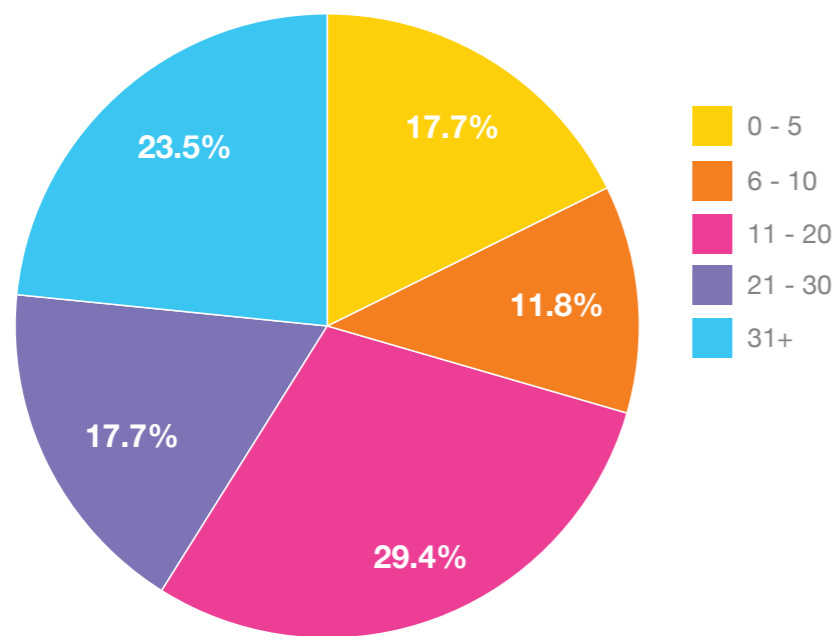
Implementing a consistent and fair equity plan across dozens of countries is a significant operational challenge. Our survey data for companies offering discretionary plans illustrates this reality:

- 71% of companies offer their plans in 11 or more countries; and
- 24% of companies operate in over 31 jurisdictions.

When companies were asked about their biggest challenges, respondents consistently pointed to the difficulties of navigating different international frameworks. Tax and mobility issues were cited as top concerns by 22% of those with discretionary plans, alongside regulatory compliance.

These findings mirror the core themes of the GEO Global Share Plan Rankings Report (Global Equity Organization, 2024), which evaluates countries based on the favorability of their legal, tax, and regulatory environments for share plans. The case for adopting equity-based compensation must therefore account for the substantial administrative investment required to manage these global complexities effectively. Beyond compliance, companies that succeed in overcoming these challenges position themselves as leaders in global talent management, demonstrating a commitment to fairness and inclusion while strengthening their reputation as an employer of choice.

In How Many Countries Do You Offer Your Discretionary Plans
Based on GEO Future Leader Program Survey, 2025



THE DEMOGRAPHIC IMPERATIVE: EQUITY COMPENSATION AND FINANCIAL INCLUSION

An increasingly important part of the case for equity-based compensation is its potential to promote financial inclusion and address systemic wealth disparities. While all-employee schemes aim to expand share ownership, the reality of their impact is more complex. Research from the Institute for the Study of Employee Ownership and Profit Sharing at Rutgers University reveals significant wealth gaps within employee ownership plans along gender and racial lines.

Without careful design, equity plans can reinforce existing wealth gaps

Analysis of the Rutgers study shows:

- Women participating in ESS hold, on average, only 46 cents of equity value for every dollar held by men;
- Black employees hold just 18 cents for every dollar held by their White colleagues; and
- Hispanic employees hold 45 cents for every dollar held by their White colleagues.

These disparities highlight a concern: without thoughtful design and oversight, ESS can unintentionally reinforce existing inequalities within corporate structures (The Institute for the Study of Employee Ownership and Profit Sharing, 2025).

Several factors contribute to this phenomenon. Grant values are often tied to base salary, which may already reflect gender pay gaps. In addition, discretionary equity awards are frequently used as retention tools. A study titled *The Gender Equity Gap: A Multi-Study Investigation of Within-Job Inequality in Equity-Based Awards* from *Journal of Applied Psychology* found that managers, influenced by unconscious bias, may perceive male employees as having higher retention risk or greater mobility, leading to larger retention grants for men. As a result, mechanisms intended to reward performance and retain talent can sustain and even widen inequality (*Journal of Applied Psychology*, 2020).

Addressing these gaps requires intentional action. Companies can review grant structures, implement bias training, and adopt transparent criteria for equity awards. They can also explore broader participation models and provide financial education to ensure employees understand the value of their equity. By taking these steps, organizations not only mitigate risk but also strengthen their commitment to fairness, inclusion, and shared success.

CHALLENGE AND OPPORTUNITY

This reality presents both a challenge and an opportunity. Persistent gaps in equity awards by gender and race remain well-documented across multiple studies. These imbalances often stem from unconscious bias or outdated plan designs, resulting in underrepresentation and lower grant values for women and people of color. In today's environment, the business case for equity-based compensation must go beyond wealth creation to prioritize fair and equitable wealth distribution. Achieving this requires a proactive approach to plan design and governance.

Companies can demonstrate leadership in Diversity, Equity, and Inclusion by regularly auditing equity distribution data and monitoring for potential bias or disparities. Continuous review ensures that awards reflect performance rather than perception. Innovative plan designs can also help broaden participation and deliver more inclusive outcomes. For example, Employee Stock Purchase Plans with contribution matching or discounts can provide greater benefits to lower-paid employees, helping close gaps in wealth accumulation across pay levels.

Organizations can further strengthen impact by offering financial education programs to increase participation among underrepresented groups and by setting measurable targets for inclusion. These strategies not only promote fairness but also enhance engagement, improve retention, and foster a culture where employees feel valued and connected to the company's success. Ultimately, equity programs designed with inclusion in mind become a powerful tool for building trust, driving performance, and creating long-term value for both employees and the organization.

4. PERFORMANCE AND RETENTION GOALS

TARGET AUDIENCE: HR LEADERS, TOTAL REWARD LEADERS, BOARD DIRECTORS AND EQUITY PRACTITIONERS

WHY THIS MATTERS

Retention and performance are the primary operational goals for most equity programs. This section breaks down how vesting schedules and performance metrics act as powerful tools to stabilize the workforce and drive productivity. The evidence presented here confirms that aligning employee wealth with company success is one of the most effective methods for securing long term commitment from key talent.

In a competitive market, companies face two big challenges: retaining and rewarding top talent to ensure overall performance remains strong. One approach that is proving highly effective is equity compensation, which involves offering employees company shares or performance-linked equity. This creates a direct connection between personal success and the organization’s success.

Our survey of companies across diverse industries and sizes shows that equity compensation is more than just a perk. It is a strategic lever for better results. When employees have a stake in the company’s performance, they are more engaged in driving value for both shareholders and themselves.

HOW EQUITY COMPENSATION IMPROVES COMPANY PERFORMANCE

Our survey of organizations across industries and sizes reveals a clear priority: leveraging equity incentives as a tool to strengthen overall organizational performance. This focus reflects a growing recognition that ESS are not just about rewarding employees - they are designed to align individual contributions with company success.

- 70% of respondents said “Improved company performance” was a main objective for their discretionary ESS;
- 65% rated those plans as moderate or very effective;
- The biggest driver of effectiveness is the performance metrics used;
- 63% rely on market-based measures such as Total Shareholder Return or share price targets;
- 57% use financial metrics like earnings growth or revenue; and
- 23% track operational KPIs such as customer growth.

Equity creates a direct link between individual contribution and company success

These measurements create a direct link between what employees do and the results the company achieves, sparking an ownership mindset across the organization.

FIVE WAYS TO DESIGN ESS FOR MAXIMUM IMPACT

When equity compensation is designed for measurable results, retention, and scalability, it becomes one of the most powerful tools for aligning individual and corporate goals. Rather than viewing it as a simple benefit, companies should treat equity incentives as a core growth strategy that boosts contributions, elevates performance, and builds lasting value for shareholders. When implemented effectively, these plans create a sense of ownership that drives engagement and long-term commitment across the organization.



Use both market and financial metrics

Combine share-price-linked goals with operational targets to reflect investor priorities and real business performance.



Standardize 3-4-year vesting

Three timeframes strike the right balance between commitment and flexibility.



Mix executive and all-employee plans

Senior leaders set the tone, but broad participation fosters a culture of shared success.



Plan for global scale

Universal core rules with local tweaks ensure compliance and relevance in every market.



Review and refine regularly

Track engagement, retention and performance data to make sure plans stay effective.

EMPLOYEE RETENTION

At the core of strategic ESS design is the challenge of balancing two priorities: driving future company performance while retaining the talent needed to achieve it. Stock compensation plans are uniquely positioned to address both objectives, although the emphasis and mechanics vary depending on the specific goal.

Employee ESS are increasingly recognized as a powerful way to build engagement and loyalty. By giving employees a stake in the company’s success, these plans align personal interests with organizational performance and foster a genuine sense of ownership.

Retention is most often achieved through time-based vesting schedules. These create strong incentives for employees to remain with the company long enough to realize the full value of their awards. The opportunity cost of leaving before vesting becomes a compelling reason to stay. Our survey confirms this approach is widely used, with three-year vesting schedules reported by 47% of companies and four-year schedules by 22% for discretionary plans. Companies offering these plans clearly view them as highly effective for retaining talent. In fact, 88% of surveyed organizations identified improved retention as the primary objective behind implementing discretionary share plans. This underscores the strategic importance of equity incentives in fostering long-term commitment.

Many organizations also track retention metrics to evaluate the success of these plans. About 58% of respondents said they monitor retention outcomes to ensure the plans deliver the expected value. This reflects a broader trend of aligning human capital strategies with measurable business results. Feedback from respondents further supports the effectiveness of ESS. 24% rated their plans as very effective for retention, 63% considered them moderately effective, and 13% described them as slightly effective. Importantly, none reported their plans as ineffective.

Beyond the numbers listed above, employee sentiment toward discretionary plans is overwhelmingly positive. Over 90% of respondents indicated that employees view these plans favorably. This perception adds significant value, reinforcing ESS as tools for engagement as well as financial incentives.

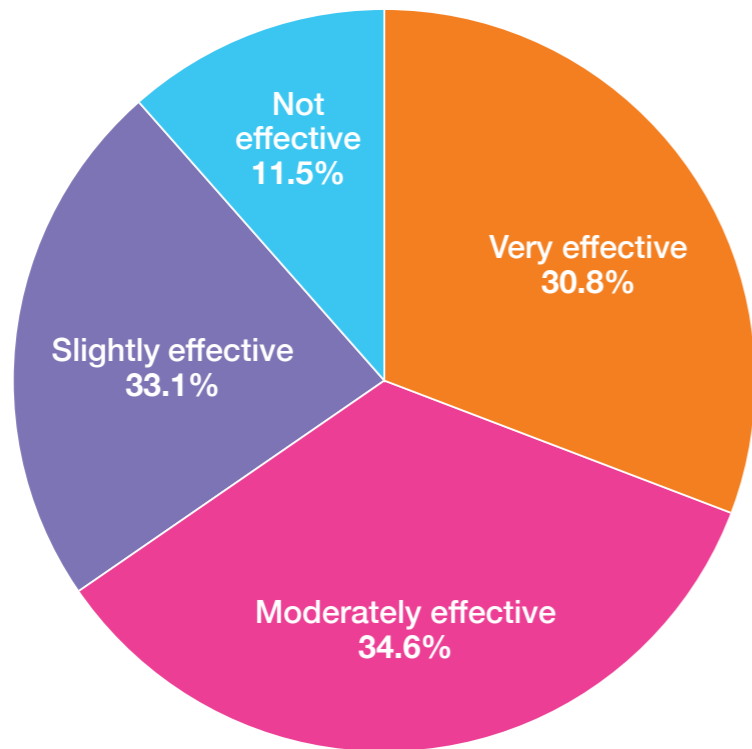
For all-employee share plans, the data shows that a three-year vesting schedule remains the most common structure, adopted by 31% of respondents, while 21% use a four-year schedule. This suggests a continued emphasis on medium-term commitment as a condition for realizing equity value.

3–4 year vesting is the global standard for balancing retention and flexibility

Retention remains the primary strategic objective behind all-employee ESS, with 69% of organizations citing it as a key motivating factor. This reflects a growing recognition of the role these plans play in workforce stability and long-term engagement. To measure success, 41% of companies reported using retention metrics as a core performance indicator. Additionally, 76% incorporate qualitative tools such as employee feedback and engagement surveys. This combination of measures demonstrates a comprehensive effort to ensure all-employee plans deliver meaningful value to both the organization and its workforce.

Overall, the results indicate that all-employee share plans are widely perceived as beneficial for retention, even if the degree of impact varies:

Effectiveness Of Equity Plans In Achieving Retention Objectives
Based on GEO Future Leader Program Survey, 2025



This suggests that while a strong majority (over 88%) see at least some positive impact on retention, there is still a portion of respondents who question the overall effectiveness of these plans.

The general perception of all-employee share plans among employees is overwhelmingly positive, with over 96% of respondents indicating that these plans are viewed as either very positive or generally positive. This high level of approval underscores the value and impact of ESS in fostering employee satisfaction and engagement.

While employee share plans are an important tool for improving retention, they should be considered within the broader context of employee benefits and their combined influence on workforce stability. The concept of “share of wallet” in this setting refers to the proportion of total employee value derived from various

benefits such as pension contributions, health and wellbeing programs, flexible working arrangements, and career development opportunities. These elements collectively shape the employee experience and can significantly affect retention outcomes. Organizations that fail to offer a competitive and well-rounded benefits package may face higher attrition risk as employees weigh the overall value proposition against other opportunities. ESS are most effective when integrated into a comprehensive benefits strategy that supports long-term engagement and loyalty.

Employee retention is a critical component of organizational success because it directly impacts productivity, continuity, and the preservation of institutional knowledge. High retention rates reduce costs associated with recruitment, onboarding, and training while fostering a stable and engaged workforce. Retaining skilled employees helps companies maintain competitive advantage, sustain customer relationships, and build a positive workplace culture. For these reasons, strategic investment in retention initiatives including compensation, career development, and ESS are essential for long-term business performance and resilience.

5. MARKET COMPETITIVENESS AND INDUSTRY NORMS

TARGET AUDIENCE: HR LEADERS, TOTAL REWARD LEADERS, INVESTOR RELATIONS, AND EQUITY PRACTITIONERS

WHY THIS MATTERS

External market forces often dictate the necessity of offering equity. This section explores how industry norms and peer benchmarking pressure companies to adopt specific plan designs to remain competitive. It highlights that in many sectors equity is no longer a differentiator but a baseline requirement for attracting the right caliber of talent.

While strategic objectives and corporate philosophy are important internal drivers of ESS design, external market forces play an equally powerful role. For many companies, the decision to offer equity-based compensation and the structure of those plans is heavily influenced by industry norms and the competitive landscape for talent. Educating employees on the company’s compensation philosophy ensures they understand not only what their compensation includes but also why it is structured that way. This clarity empowers employees to see how their contributions support collective success and reinforces the sense of alignment between individual effort and organizational goals.

EQUITY AS “TABLE STAKES”

In many sectors, particularly Technology and Financial Services, offering equity is no longer a competitive differentiator but has become “table stakes” - a baseline expectation for attracting qualified candidates. Our survey data strongly reflects this reality, with Technology (35%) and Financial Services (20%) being the most represented industries among respondents. Broader market data reinforces this trend. Employee stock purchase plans are most common among Technology companies, with 73% offering an ESPP, and among financial and insurance companies, where 58% provide this benefit according to the NASPP/Deloitte Tax 2023 ESPP Survey. In these industries, equity is no longer about gaining a competitive edge. It has become a baseline expectation, and the business case is focused on achieving parity to compete effectively in the race for talent (Baska, 2025).

THE INFLUENCE OF BENCHMARKING AND PEER PRACTICES

The design and generosity of ESS are heavily influenced by benchmarking against peer companies. A key reason why “increased attractiveness as an employer” ranks so highly as a plan objective is the need to remain competitive. Companies regularly review peer group data to ensure that award levels, vehicle mix,

and vesting schedules align with market practices. This external focus helps position a company’s total rewards package as attractive and fair compared to its direct competitors for talent.

This focus is further reinforced by governance and proxy advisory firms such as Institutional Shareholder Services (ISS). Their Equity Plan Scorecard framework evaluates plans based on three main pillars: Plan Cost and Shareholder Value Transfer, which examines dilution and overall cost; Grant Practices, which looks at vesting schedules and grant-making procedures; and Plan Features, which assesses provisions designed to ensure alignment. These frameworks strongly influence shareholder voting and compel companies to design plans within governance-approved norms, reinforcing market consensus on acceptable plan design (ISS, 2024).

In many industries, equity is no longer a differentiator—it is table stakes

PREVAILING MARKET NORMS IN PLAN DESIGN

Our survey data shows a strong prevalence of a two-tiered approach to equity, with 58% of responding companies offering both discretionary plans for leadership and all-employee plans for the broader workforce. This structure allows companies to be highly targeted in rewarding key leaders while remaining broadly inclusive in fostering an ownership culture.

The choice of award vehicles also reflects a clear market consensus. Restricted Stock Units (RSUs) have become the dominant vehicle for discretionary plans, used by 51% of respondents. For all-employee plans, RSUs and Employee Stock Purchase Plans are equally popular at 34% each. This represents a significant evolution away from stock options, which were common during the dot-com era, toward full-value awards that provide employees with a more stable and predictable value proposition.

6. FINANCIAL AND SHARE CONSTRAINTS

TARGET AUDIENCE: BOARD DIRECTORS, FPANDA, AND EQUITY PRACTITIONERS

WHY THIS MATTERS

Every ESS requires a significant financial and administrative investment. This section confronts the realities of share dilution, accounting costs, and the heavy lift of employee communication. It frames these constraints not as barriers but as manageable factors that must be balanced to ensure the program remains sustainable and delivers a positive return on investment.

While the strategic benefits of equity compensation are compelling, its implementation is subject to significant financial and governance constraints. The business case must recognize that equity is not free; it represents a real cost to the company and its shareholders through share dilution and accounting expenses. Balancing the strategic goals of a talent strategy with these financial realities is often the most challenging aspect of plan design.

THE DILUTION DILEMMA AND SHARE POOL MANAGEMENT

Every share granted to an employee reduces the ownership stake of existing shareholders, making dilution a critical concern. Managing this dilution is a primary fiduciary responsibility for the board of directors and a key focus for institutional investors. This issue ties directly to the first pillar of shareholder-focused governance models such as the ISS framework: Plan Cost and Shareholder Value Transfer. Our survey data reflects this tension, with dilution concerns cited as a significant challenge for 9% of companies administering discretionary plans and 14% of those offering all-employee plans. While these figures do not represent a majority, they should not be dismissed. Dilution can have a meaningful impact on shareholder

value, and companies are actively managing this constraint. Several respondents noted that recent changes to their plan strategy were made specifically to limit dilution or costs, demonstrating a proactive approach to preserving the overall share pool.

ACCOUNTING AND FINANCIAL COST

Under modern accounting standards (ASC 718 in the U.S. and IFRS 2 internationally), companies must recognize the fair value of equity-based compensation as an expense on the income statement, directly affecting reported earnings and earnings per share (EPS). While only a small proportion of survey respondents cite this as a major challenge, it remains a critical consideration in financial planning and budgeting for any ESS. In some jurisdictions, the financial impact can be partially offset through corporate tax deductions for share plan costs, a factor influencing a country’s favorability toward equity compensation.

The data highlights a critical and often underestimated financial risk that stems not from plan design but from execution. Companies invest significantly in ESS through both share value and accounting expense. Yet the number one administrative challenge identified by practitioners for both discretionary (38%) and all-employee (41%) plans is “communication and employee understanding.” This is not merely an

The question is no longer whether to offer equity—but how to design it for impact

administrative issue; it is a direct threat to ROI. This concern is supported by employee-level data—according to a 2021 survey of 40,000 U.S. stock plan participants, two-thirds are not confident they understand the tax implications of their benefits (American Society of Pension Professionals & Actuaries, 2022).

When employees do not understand the mechanics, value, or tax implications of their awards, they systematically undervalue them. This erodes the plan’s ability to motivate and retain talent.

A misunderstood grant cannot effectively drive behaviour or foster loyalty. As a result, failing to invest in communication and education is not a “soft” HR issue but a direct impairment of financial return on one of the company’s most strategic workforce investments. A strong total compensation strategy, encompassing both cash and equity, must include a commitment to effective communication to ensure employees understand, value, and act on their compensation, maximizing overall impact.

TOP ADMINISTRATIVE CHALLENGES: A UNIVERSAL PROBLEM

This table represents the top five administrative challenges our survey respondents face for both discretionary and all-employee schemes:

Rank	Discretionary Plans	All-Employee Plans
1	Communication and employee understanding (38%)	Communication and employee understanding (41%)
2	Tax / Mobility (22%)	Dilution concerns (14%)
3	Dilution concerns (9%)	Cost (share delivery, compliance etc) (10%)
4	Regulatory compliance (6%)	Tax / Mobility (10%)
5	Cost (share delivery, compliance etc) (6%)	Share plan platform limitations (10%)

GEO Future Leader Program Survey, 2025

Ultimately, equity compensation is more than a financial tool; it is a strategic lever for attracting, retaining, and motivating talent. Its success depends on balancing shareholder interests with employee engagement and understanding. Companies that actively manage dilution, control costs, and invest in clear and consistent communication will protect the integrity of their plans and maximize the long-term value of their total rewards strategy.

CONCLUSION: FROM BUSINESS CASE TO STRATEGIC ACTION

The evidence gathered from our industry survey, academic literature, and participant data leads to a singular verdict: the question is no longer whether to offer equity, but how to design it to drive specific business outcomes. As we have seen, equity compensation is not merely a competitive baseline or “table stakes” in the modern talent market. It is a sophisticated instrument that, when wielded with intent, aligns the workforce with the financial realities and long-term ambitions of the shareholder.

However, a plan that exists on paper but fails to connect with employees is a wasted investment. To maximize the return on this significant capital outlay, organizations must move beyond generic implementation and adopt a strategic approach tailored to their current business phase.

A FRAMEWORK FOR STRATEGIC DECISION-MAKING

Based on the findings of this report, leaders should evaluate their current equity roadmap against the following strategic priorities to determine where to focus their investment and design efforts:

If the Priority is High-Impact Performance and Turnaround:

Focus heavily on Discretionary Plans (LTIPs). The data indicates these are the most effective tools for driving company performance (70% of respondents) and retaining critical leadership. Ensure these awards are tied to clear, transparent performance metrics rather than just time-based vesting to strengthen the link between executive reward and shareholder value.

If the Priority is Culture, Resilience, and Long-Term Stability:

Invest in all-employee schemes. Our research confirms that these plans are the primary drivers of engagement and “psychological ownership.” While they may not offer the massive individual payouts of executive plans, they are the most effective mechanism for fostering a unified culture where employees act like owners.

If the Priority is Fairness and Operational Risk Management:

Prioritize Governance and Audits. With the revealed disparities in gender and racial equity wealth gaps, companies must institute regular distribution audits. A plan that inadvertently widens the wealth gap creates legal and reputational risk. If an organization’s data shows inequality, immediate redesign of grant guidelines and bias training for managers is certainly required.

THE EXECUTION MANDATE: CLOSE THE UNDERSTANDING GAP

Finally, the most actionable insight from this study is the critical importance of communication. Our data highlights a stark contrast: companies invest millions in these plans, yet “employee understanding” remains the top administrative challenge.

A plan that is not understood is a benefit that is not valued. Therefore, the immediate next step for any organization is to treat communication not as an HR afterthought, but as a financial imperative. We recommend shifting from annual grant notifications to a continuous education model that explains not just how the plan works, but why it creates wealth and security for the employee.

In an economy where human capital drives value, the most successful companies will be those that use equity to transform employees into true partners. By aligning plan design with specific strategic goals and closing the communication gap, organizations can ensure that equity compensation builds a more resilient, motivated, and profitable business.

CHECKLIST: RECOMMENDATIONS AND SOLUTIONS

1. Elevate communication to a strategic imperative

- Educate recruiting teams on equity program details and plan design nuances
- Implement ongoing, multi-channel education (not just at grant date)
 - Include simple explainers, personalized total rewards statements, and targeted tax education at key lifecycle points (vesting, exercise, sale)
- Integrate equity education into broader financial wellness programs

2. Design with intent: align plan mechanics with strategic goals

- Define the primary objective for each plan (retention, shareholder value, ownership culture)
- For retention of key leaders:
 - Use multi-year, time-based RSU grants with clear “good leaver”/ “bad leaver” rules
 - Consider annual grants for high potential/critical talent
- For driving shareholder value:
 - Implement PSUs for senior leadership with metrics tied to shareholder outcomes (e.g., rTSR).
- For building broad-based ownership:
 - Consider which award vehicle is appropriate e.g., ESPPs with employee-friendly features (lookback, max discount), RSUs, etc.

3. Embrace broad-based ownership to build a resilient culture

- Adopt an all-employee scheme if not already in place
- Communicate the business case using research on engagement, loyalty, productivity, and “best place to work” recognition

4. Conduct equity audits for fairness and inclusion

- Regularly analyze equity distribution data by gender, race, and job level (beyond base salary)
- Audit all equity grants, especially discretionary awards
- Train managers to recognize and mitigate bias in grant allocation
- Establish clear, objective criteria for discretionary awards

5. Treat administrative and financial costs as opportunities for innovation

- Move beyond standard vesting and generic structures
 - design for tax efficiency and alignment with company purpose
- Prioritize plan features that promote equitable wealth creation and broad participation

Tip: Review this checklist annually and after any major plan changes to ensure ongoing alignment with strategic goals and best practices

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GLOSSARY OF KEY TERMS

All-employee scheme: Equity scheme offered broadly to entire workforce.

Award: As a verb, giving equity awards to participants. As a noun, the conditional right to acquire equity.

Corporate governance: The internal system by which companies are directed and controlled. It brings into consideration the roles and relationships of the company's management, its board, its shareholders and other stakeholders, and the company's goals. One of the main themes of corporate governance is the minimization of conflicts of interest and this is frequently achieved through detailed disclosure and voting rights.

DEI: Diversity, Equity and Inclusion initiatives.

Dilution: A decrease in the value of individual securities as the

result of the issuing, or potential issuing, of additional securities. Treasury shares may also impact dilution calculation limits.

Discretionary scheme: Targeted equity for selected employees, typically limited to senior employees and management. See 'Long-Term Incentive Plan (LTIP)'.

Employee share scheme (ESS): Schemes that provide the opportunity for employees to acquire equity.

Employee stock purchase plan (ESPP): Schemes that provide the opportunity for employees to purchase equity. This may include the right to purchase shares at a discount.

Equity compensation: Non-cash remuneration paid in company equity.

Long-term incentive plan (LTIP): Equity schemes typically

limited to senior employees and management, often enabling the acquisition of equity for free subject to the satisfaction of set performance conditions and continuing employment.

Financial inclusion: Ensuring equitable access to wealth-building opportunities.

Grant: As a verb, giving equity awards to participants. As a noun, the process of giving such rights.

International Financial Reporting Standards (IFRS): International accounting standard for expensing equity compensation.

Key performance indicators (KPIs): Metrics used to determine vesting outcomes. KPIs are often more specific than performance metrics, but may be used interchangeable with performance metrics in this Paper.

Liquidity event: An event that allows shareholders to convert equity to cash, including an acquisition, merger or listing event.

Lookback feature: ESPP feature allowing purchase at lower of two prices.

Mobility: Refers to the potential tax rules for individuals working in multiple tax jurisdiction.

Performance share units (PSUs): Equity vesting only if performance targets met.

Plan: An arrangement where an individual can acquire equity (see also 'Scheme'). Typically, a contractual arrangement between the recipient and the issuing company.

Relative total shareholder Return (RTSR): Company TSR vs. peers.

Restricted stock units (RSUs): Employees are granted a conditional right to acquire shares in the future for no cost. Before vesting, the employee has no shareholder rights, e.g., dividend and voting rights. Sometimes called a free share award, restricted stock unit or restricted share unit.

Return on investment (ROI): Effectiveness relative to cost.

Scheme: An arrangement where an individual can acquire equity (see also 'Plan'). Typically, a contractual arrangement between the recipient and the issuing company.

Time-based vesting: Vesting based on a continued service requirement.

Total rewards: Overall employee compensation package.

Total shareholder return (TSR): Value created for shareholders.

Vesting: When equity becomes owned by the employee.

Vesting schedule: Timing and conditions of vesting.

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