



2018 global employee stock purchase plan trends survey

Insights and challenges

Unlike other equity incentive awards, employee stock purchase plans (ESPPs) are typically broadly offered to company employees as a means to attract and retain talent and foster a sense of shared ownership in the company. Our inaugural global employee stock purchase plan trends survey explores the popularity of ESPPs, how companies are structuring plans, and the challenges they face in global administration, employee participation, and the management of plan costs and tax compliance.

Exploring the year-one survey numbers

All figures have been rounded to the nearest whole percent. Respondents could only choose a single response for each question unless otherwise noted.

General trends in employee stock purchase plans

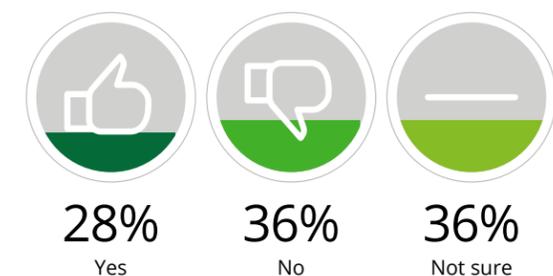
Nearly three-quarters of respondents said their company offers an ESPP to all employees or to employees in their headquarter country or other specific countries.

Q1. Does your company offer an ESPP?



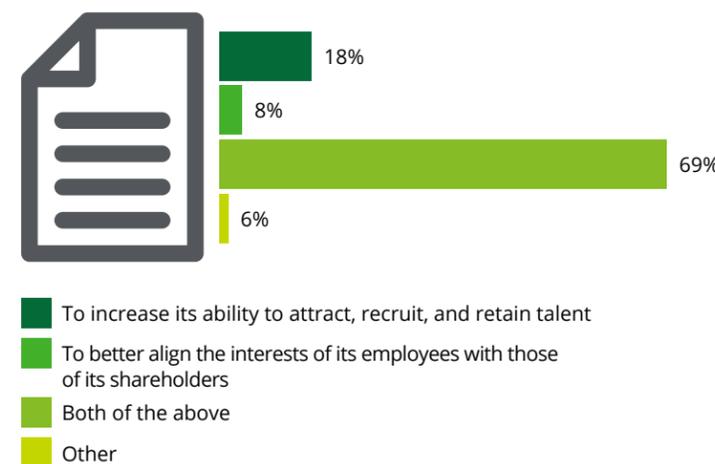
But only 28% of respondents noted that their companies have considered adopting a stock purchase plan globally. Do companies perceive challenges to implementation and administration?

Q2. Has your company considered adopting an ESPP that would include all its employees worldwide (i.e., a "global" ESPP)?



The offering of employee stock purchase plans continues to be valued as a means of competitively attracting and retaining talent and fostering a sense of employee ownership in their companies.

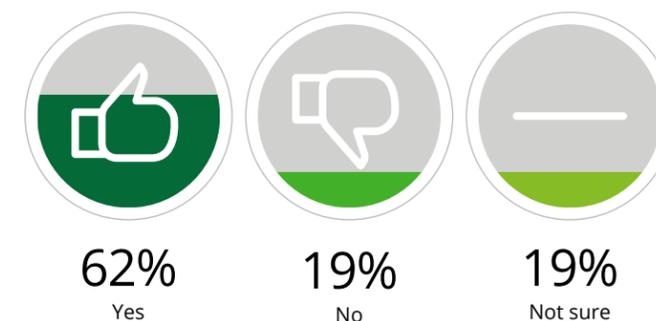
Q3. What do you consider to be the primary reason(s) for your company offering an ESPP?



Qualified vs. nonqualified employee stock purchase plans
Some countries offer tax-qualified designation for ESPPs, resulting in tax preferential and favorable treatment to participant employees and different employer reporting and withholding requirements. The criteria for obtaining tax-qualified status vary among the jurisdictions where offered. This can present challenges for companies attempting to implement a global ESPP with tax qualification in multiple countries.

Based on the majority of responses, qualified stock purchase plans are overwhelmingly favored by companies participating in this survey.

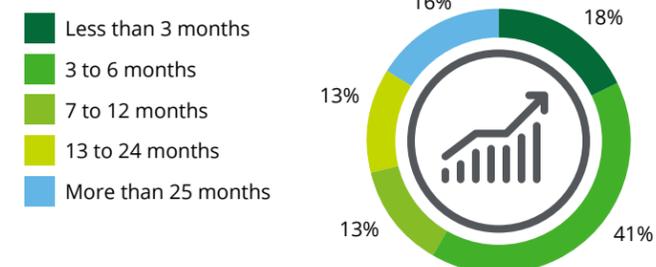
Q4. Is your company's ESPP considered a "qualified" plan in your headquarter country under US rules (i.e., a "423 plan"), under UK rules (i.e., an "SIP"), or a global equivalent?



Examining the structure and features of ESPPs

Offering periods: Our survey found that ESPP offering periods of less than six months are the most popular at nearly 59%.

Q5. What is the length of the offering period under your company's ESPP (i.e., the period starting with the grant or offering date and ending with the exercise date)?



Discount vs. matching: ESPPs featuring a share purchase discount are heavily favored over a share matching plan design.

Q6. Does your company's ESPP operate under a discount design (i.e., shares purchased at a discount), or a matching design (i.e., a free share granted for every X number of shares purchased)?



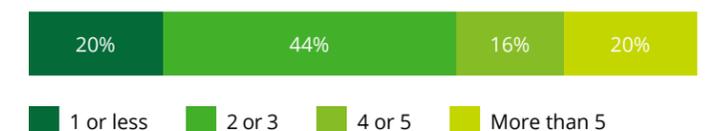
Share purchase discount rates: Of those offering plans under a discount design, roughly two-thirds of respondents offer a share purchase discount of 15%.

Q6a. Under your company's ESPP discount design, what is the share purchase discount percentage offered to employees?



Features of ESPP share matching provisions: 44% of respondents noted that employees receive one matched share for every two or three shares they purchase.

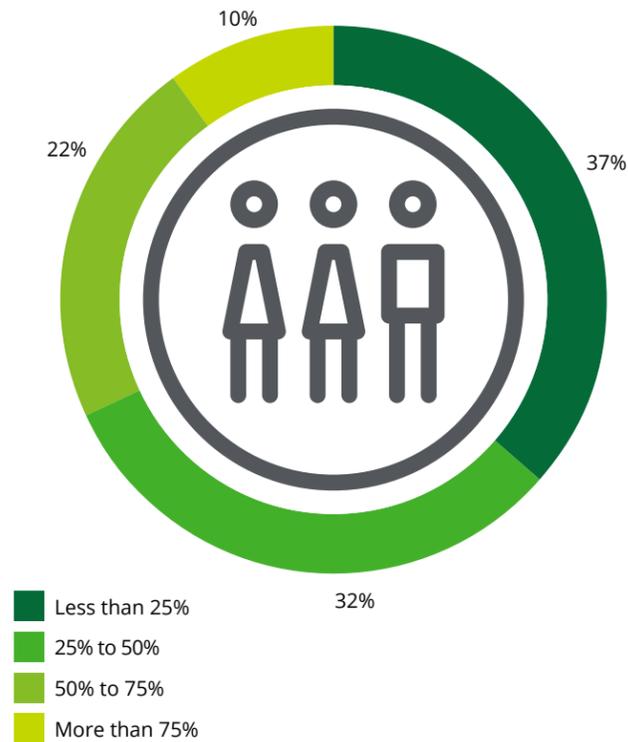
Q6b. Under your company's ESPP matching design, how many shares must an employee purchase to receive one (1) free matching share?



Employee participation in ESPPs

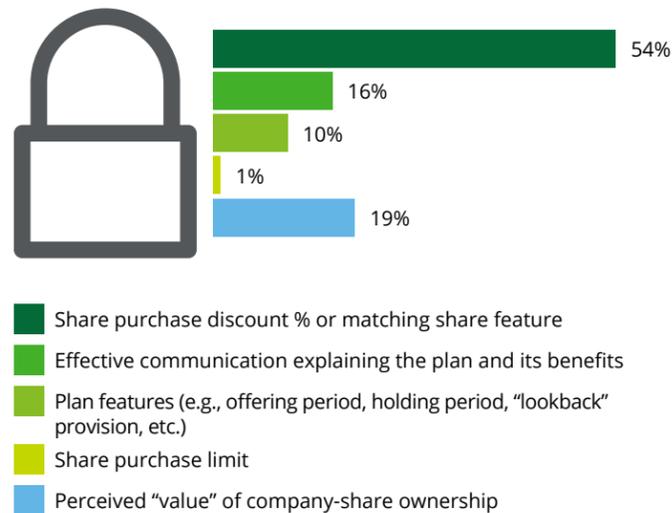
Although the vast majority of respondents offer a stock purchase plan, employee participation in ESPPs is low.

Q7. What percentage of eligible employees worldwide do you estimate currently participate in your company's ESPP?



Barriers to greater employee participation: Nearly 54% of respondents consider the share purchase discount or matching share plan features as the factors most impactful to employee participation in ESPPs.

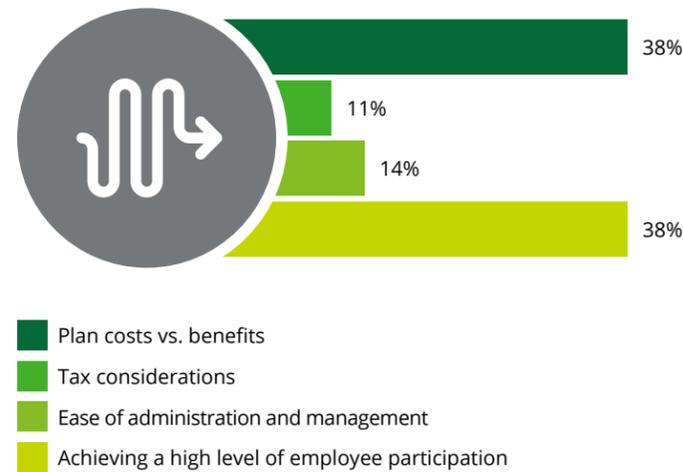
Q8. Which one of the following factors would you consider to be most impactful to the current level of employee participation and interest in your company's ESPP?



ESPP considerations and challenges

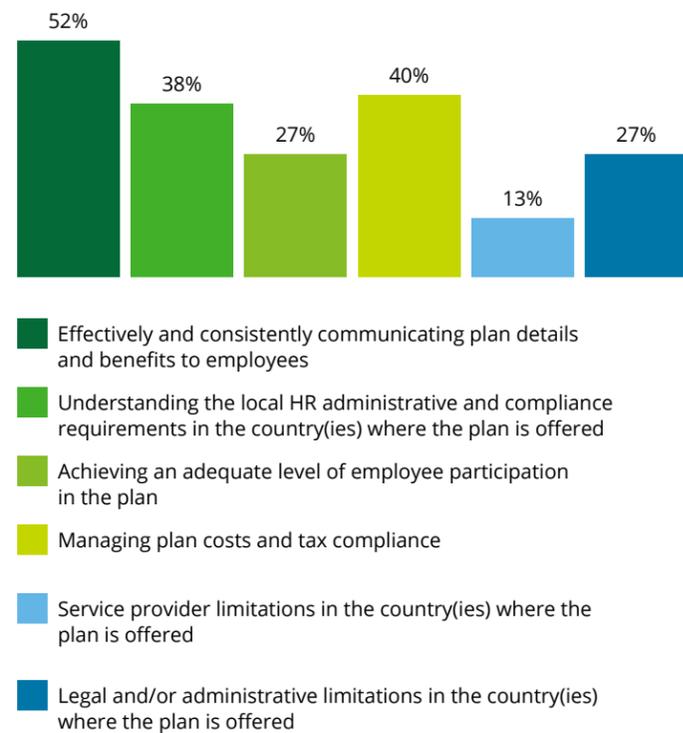
The structuring of ESPPs: Achieving high levels of employee participation and balancing plan costs vs. benefits are primary considerations in the structuring of company plans.

Q9. Which of the following do you consider to be the primary consideration in the structuring of your company's ESPP?



Administration and management of ESPPs: Nearly 52% of respondents identified "effectively and consistently communicating plan details and benefits to employees" as their most significant challenge—which may provide at least a partial explanation for the low employee participation rates in these plans (see Q8).

Q10. Which of the following do you consider presents a consistent and/or significant challenge to the administration and management of your company's ESPP? (select all that apply)



Getting past potential roadblocks to ESPP success

While a large majority of responding companies offer employee stock purchase plans, achieving high rates of participation by eligible employees remains a challenge. Barring increases to share purchase discount caps, more effective approaches to 1) communicating plan details and benefits, and 2) managing plan costs and tax compliance may prove to be key levers to increasing employee participation and delivering the rate of return often used internally to measure a plan's success.

To learn more about the survey findings and the issues it addresses, please contact your Deloitte representative or email our Global Rewards team at globalrewards@deloitte.com.

About the survey

- Conducted during December 2018 and January 2019
- 332 respondents employed by companies globally across various industries
- Company size of respondents ranges from under 10,000 to over 100,000 in worldwide employee headcount
- Functions/roles of respondents span accounting, finance, HR, legal, and tax
- Job titles of respondents include stock option/plan, payroll, benefits, compensation, or mobility

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