Foreword
Following its continued success, EY is proud to launch our third Global Share Plan Survey. Our aim is to provide clarity on the way organizations operate their share plans on a global scale, highlighting notable emerging practice.

We are very grateful to all those who took time to complete our 2014 Global Share Plan Survey. We received over 120 responses across the EMEIA region, the Americas and Asia-Pacific.

The way in which organizations do business has been drastically transformed by globalization leading to markets, labor and resources that are increasingly mobile. Organizations are required to focus increasingly on reward structures for their international workforce, but while borders may be becoming less of a concern from a labor perspective, regulation and taxation remain very much national concerns. Our survey highlights how organizations are addressing these difficult issues to ensure compliance.

Due to changes in pay practices, compensation program design and regulatory intervention, one of the most challenging areas of reward is equity-based compensation. The need for an effective global share plan to align the interest of employees and shareholders, aid employee retention and encourage share ownership is higher than ever. Furthermore, regulators increasingly view equity incentives as a fundamental tool to promote the longer term success of an organization over short term benefits to management.

We have highlighted key information from the survey, providing valuable insight into current market practice, together with more detailed analysis and commentary on challenging subjects. We have separately analyzed data for long term incentives for executives and all-employee schemes.

In the report we have used the analogy of ‘coming together’, ‘keeping together’ and ‘working together’. Through that we hope the report will offer insight into effective processes to use when implementing new share plans or extending existing plans globally.
## Contacts

### Americas

<table>
<thead>
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</tr>
</thead>
<tbody>
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### Asia-Pacific

<table>
<thead>
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<tr>
<td>Chris Galway</td>
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### Europe

<table>
<thead>
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<th>Name</th>
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<tr>
<td>Giles Capon</td>
<td>+44 20 7951 8082 <a href="mailto:gcapon@uk.ey.com">gcapon@uk.ey.com</a></td>
</tr>
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</tbody>
</table>
Our thanks

We would like to thank the 126 companies who took part in this year’s survey, an increase on the responses in 2012. Over 70% of responses came from companies with over 5,000 employees globally, and 80% of those who responded confirmed that they operate one or more global share plans. This survey explores those responses in greater detail.

“Coming together is a beginning; keeping together is a process; working together is success.”

Henry Ford

20% from Americas
Participation in global share plans

Forty-one percent of companies who operate a global share plan grant awards to participants in more than 20 countries. However, the number of employees who enroll in all-employee schemes varies greatly with 53% of companies assessing a participation rate of over 50%. Global share plans are most prevalent, at 60%, in organizations that have more than 10,000 employees.

Fig 1. Number of countries where global share plans are implemented

Fig 2. Percentage of employees participating in all-employee global share plans
Coming together is a beginning
In this section, we consider how organizations start their global share plan journey and set out the approaches our respondents use when implementing global share plans.
Coming together is a beginning

Implementing global share plans

Since our last global share plan survey in 2012, the world economy has remained unstable, creating uncertainty and challenges within all business sectors. Likewise, we continue to see countries imposing more rigorous legislative and regulatory controls around non-cash compensation. As a result of these economic and regulatory factors, the majority of respondents are placing more emphasis on due diligence and compliance.

A less complex and more attractive plan strategy is, therefore, essential to the success of any global plans in this challenging economic market. In recent years, we have seen a consolidation in global plans and an increase in the participation rates for all-employee plans. To get that balance just right, it is important to consider corporate strategies in conjunction with external factors, otherwise, share plans could be costly and misaligned with stakeholder interests.

Why implement a global share plan?

When asked their main drivers for implementing a global share plan, 83% of respondents cited the fact that share plans promote corporate identity and encourage share ownership. These drivers show a marked shift from 2010 and 2012 when the key drivers related to retaining staff and aligning the interests of employees with shareholders. This suggests a move away from an employee retention or engagement strategy to a financially driven motive.

In line with that, aiding retention was no longer considered a strong reason for implementing a global share plan across all regions. This is perhaps an indication of the candidate-rich market that has arisen as a result of economic factors driving down the size of companies in recent years.

Although there are similarities among responses globally, there were also some regional variations of note.

Whereas promoting corporate identity as a whole was a popular driver, over 60% of Asia-Pacific companies stated that promoting their corporate identity was one of the key drivers in implementing share plans. This was a marked increase for the region from 2012 when less than 10% responded as such (the main driver in 2012 was aligning the interests of employees and shareholders). Companies in the Americas also cited corporate identity as a major reason for share plan development in 2014, which was not a factor for them in 2012 at all.

The EMEIA region stands separate in reference to share ownership, with only 5% of EMEIA companies citing share ownership as their key driver, compared to 24% and 36% in the Americas and Asia-Pacific, respectively.
Fig 3. Designing a global share plan – internal and external pressures

- Tax/employment law
- Corporate governance
- Employee value proposition
- Shareholder interests
- Business strategy
- Retention and recruitment needs
- Economic climate
- Market practice

Fig 4. Respondents who agree or strongly agree that a global share plan:

<table>
<thead>
<tr>
<th>Objective</th>
<th>2014</th>
<th>2012</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotes your corporate identity</td>
<td>83%</td>
<td>52%</td>
<td>61%</td>
</tr>
<tr>
<td>Improves perception of global equality</td>
<td>55%</td>
<td>46%</td>
<td>47%</td>
</tr>
<tr>
<td>Delivers tax-efficient remuneration</td>
<td>30%</td>
<td>23%</td>
<td>33%</td>
</tr>
<tr>
<td>Encourages employees to achieve targets</td>
<td>30%</td>
<td>46%</td>
<td>47%</td>
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<tr>
<td>Aligns the interests of employees and ...</td>
<td>72%</td>
<td>76%</td>
<td>79%</td>
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<tr>
<td>Aids retention</td>
<td>60%</td>
<td>75%</td>
<td>77%</td>
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<tr>
<td>Aids recruitment</td>
<td>66%</td>
<td>59%</td>
<td>62%</td>
</tr>
<tr>
<td>Encourages share ownership</td>
<td>73%</td>
<td>73%</td>
<td>72%</td>
</tr>
</tbody>
</table>

Fig 5. Respondents who strongly agree that a global share plan: (by region)

- Asia Pacific
- EMEIA
- Americas
Which plan type is “right” for my organization?

As in prior years’ surveys, the restricted stock unit plan is the most common plan globally, although there has been a slight decrease from 44% to 40% in 2014. This data is skewed for executive-only plans – 60% of executive plans offer this vehicle compared to only 20% of all employee plans. Market value option plans and nil cost options or discounted option plans are the second and third most common types. Not surprisingly, again, variances occur between executive-only plans and all-employee plans as the drivers and measures for each type of plan also differ.

60% of executive plans offer restricted stock unit plans compared to only 20% of all-employee plans.

**Fig 6. Types of plans offered**

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>Executive Plans</th>
<th>All-Employee Plans</th>
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<tbody>
<tr>
<td>Free/restricted share plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share matching plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discounted share purchase plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted stock unit plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market value option plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nil cost option or discounted option plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phantom share plan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred bonus plan with share match</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Fig 7. Trend analysis of types of plans offered**

<table>
<thead>
<tr>
<th>Plan Type</th>
<th>2014</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Free/restricted share plan</td>
<td>30%</td>
<td>32%</td>
</tr>
<tr>
<td>Share matching plan</td>
<td>21%</td>
<td>21%</td>
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<tr>
<td>Discounted share purchase plan</td>
<td>17%</td>
<td>26%</td>
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<tr>
<td>Restricted stock unit plan</td>
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<td>44%</td>
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<tr>
<td>Market value option plan</td>
<td>25%</td>
<td>30%</td>
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<tr>
<td>Nil cost option or discounted option plan</td>
<td>21%</td>
<td>21%</td>
</tr>
<tr>
<td>Phantom share plan</td>
<td>17%</td>
<td>27%</td>
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<tr>
<td>Deferred bonus plan with share match</td>
<td>13%</td>
<td>15%</td>
</tr>
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Who participates?

Of those respondents who operate global share plans, 58% operate one or more plans that are open to all levels of employees (including executives). Forty-two percent of companies offer executive-only plans (compared to 45% in 2012), without offering more widely available plans for staff, but only 9% of companies offer only all-employee plans without having a separate executive plan.

Although restricted stock units (RSUs) are the most common vehicle when looking at results in their entirety, when analyzing at a more distinct level, RSUs are in fact only the fourth most common vehicle for all-employee plans. Free/restricted share plans are offered by 34% of companies with all-employee schemes and are the most common type for those schemes, closely followed by share matching plans and discounted share purchase plans.

Conversely, respondents offering plans that are open to executives or management only commonly choose restricted stock unit plans (60%) with market value options being the next most popular choice with only 33% of companies using that vehicle.

In 2012, organizations were discussing limiting global share plan participation to senior executives only as a cost-saving measure attributed to the difficult economic climate. Although we were seeing companies exploring options and reassessing participation strategies in 2012, the statistics do not actually reflect those discussions. This suggests that limiting participation was actually not actioned. In fact, the 2014 results show a slight increase (8%) in the number of companies offering share plans across their employee populations.

39% of respondents operate approved or qualified global share plans to provide participants with beneficial tax treatment.

The UK, Australia, France and the US are the most common countries in which companies operate approved or qualified global share plans.
Coming together is a beginning

51% of survey respondents in 2014, up from 42% in 2012, stated that they apply a global strategic approach to global share plan implementation.

Getting implementation right

Selecting your strategic approach

In 2014, 51% of survey respondents stated that they apply a global, strategic approach to implementation. This is up from 42% in 2012. Referring back to the key drivers for implementing global share plans, only 9% of companies globally cited their driver was creating a perception of global equality. We draw from that small number that applying a global strategy is likely to be related to cost-saving initiatives rather than a commitment to equal treatment for employees. In addition, we see that customized sub-plans are the least common strategic approach (19%), which is likely also a result of the increased cost and maintenance associated with multiple, complex programs.

As illustrated by the graph below (figure 8), there are significant differences across regions with regards to their strategic approach. This year, the results show that within EMEIA and Asia-Pacific, companies are increasingly applying a global approach to their plans, operating consistently across all territories. Whereas the Americas has also shown an increase (albeit a slight one) in the number of companies operating plans consistently in each country, companies in the Americas generally apply an extension of their headquarter country plan.

In 2012, we mused that we would have expected more European and American companies to utilize sub-plans due to the increased availability of tax-efficient plans across those regions. However, we do not see that reflected in the responses. We have, however, seen sub-plans gaining popularity in the Asia-Pacific region. Although Asia-Pacific in general does not have a large number of tax-efficient plans available, Australia does, and we note that this year, many of the respondents from that region are based in Australia.

The large decline in the use of sub-plans in the EMEIA region (25% in 2010 to 20% in 2012 and now 9% in 2014) is likely to be attributed to the change in the effectiveness of tax-efficient schemes in France.
Have you done your due diligence?

Irrespective of your strategic approach, it is important to be cognizant of the ever-changing regulatory and legislative environment. In recent years, we have seen an increased focus on share plan tax compliance around the globe. There have also been changes in compensation design and regulatory intervention, hence, companies now face increased scrutiny regarding equity compensation. As such, due diligence plays a crucial role when designing and maintaining global equity plans.

In this year’s survey, 88% of respondents indicated that when establishing how a share plan is treated locally, their head of organization coordinates cyclical due diligence with input from professional advisors and then shares the information with local offices.

This is consistent with responses from prior years and reflects the importance that organizations clearly place on “getting it right” across different jurisdictions. By far, legal and tax issues are the areas on which organizations focus their due diligence with 86% and 85% of companies citing that they look into those areas, respectively. This is not unexpected, considering due diligence in the planning phase of a global share plan implementation is primarily aimed at ensuring compliance within each region. Non-compliance could ultimately result in the inability to operate a plan, penalties being imposed or loss of reputation.

Although tax and legal issues are consistently addressed regardless of the plan type or the number of employees within the plan in each country, when looking at other areas of due diligence, we see a marked difference. Specifically, we see only 7% of companies who consider cultural issues as part of their planning for executive plans, but almost 20% of companies consider cultural issues for all-employee plans. This is understandable considering executive plans are often non-voluntary and external factors are less important than when trying to attract a wider population of employees to enter into a plan electively.

By far, legal and tax issues are the areas on which organizations focus their due diligence with 86% and 85% of companies citing that they look into those areas, respectively.
As in 2012, the most popular vehicle in the Americas is still the restricted stock unit. In distinct contrast to 2012 in EMEIA, when discounted share purchase plans were most common, the most popular type of plan in Europe is now the restricted stock plan (with discounted share purchase plans being least favorite). In Asia-Pacific, it is the nil cost option or discounted option plan.
Paying for performance

The current economic climate, coupled with increasing pressures on delivering results aligned to stakeholder expectations, continues to drive the importance that companies are putting on their employees’ performance. Eighty-two percent of respondents said satisfaction of performance conditions was required for awards to vest, and of those respondents over 70% indicated their company reviews performance conditions annually. In 2012, the figures were 75% and 93%, respectively, showing a slight increase in the use of performance conditions associated with award plans but highlighting a significant decrease in reviews that are being undertaken. However, the fact that only 23% of companies (down from 40% in 2012) advised that they have actually altered performance conditions in the past 12 months leads us to believe that companies are approaching the review with the same economic-inspired, cost-saving initiatives in mind and following the ‘if it’s not broken, don’t fix it’ philosophy.

Ninety-two percent of organizations include measures around corporate performance targets, whereas almost the complete opposite is true for personal performance measures where only 13% of companies impose personal performance metrics.

The results from this year’s survey show that there are no remarkable differences across regions when it comes to performance-related conditions. However, non-performance-related conditions do vary. Plans operated in the Americas (37%) are less likely to have conditions attached in general (whether that be clawback, continued employment or holding terms) compared with plans in either EMEIA (86%) or Asia-Pacific (97%). Of the 71% of companies who apply a clawback condition, 33% of those are Asia-Pacific based, compared to EMEIA (25%) and the Americas (13%).

82% of respondents said satisfaction of performance conditions was required for awards to vest.
Coming together is a beginning

- **USA**
  - FATCA reporting requirements, IRS auditing, global equity reporting and withholding

- **Mexico**
  - Tax reform

- **Colombia**
  - Tax reform

- **Brazil**
  - Increased scrutiny on executive equity awards
<table>
<thead>
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<td>UK</td>
<td>Changes to employer compliance reporting requirements</td>
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<td></td>
<td>Reform of share plan income for internationally mobile employees</td>
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<tr>
<td></td>
<td>HMRC drive on employer risk inquiries</td>
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<tr>
<td>France</td>
<td>Tax withholding on non-residents and introduction of share plan reporting</td>
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<td>Spain</td>
<td>Enforcement of penalties for withholding and reporting failure</td>
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<td>Portugal</td>
<td>Enforcement of penalties for withholding and reporting failure</td>
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<td>Hungary</td>
<td>Approved scheme registration no longer required</td>
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<td>Japan</td>
<td>Annual share plan reporting</td>
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<td>China</td>
<td>Extended remit of State Administration of Foreign Exchange (SAFE) exchange controls</td>
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<td></td>
<td>Changes to registration</td>
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<td>Enforcement of penalties for withholding and reporting failure</td>
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<td>Reporting assignees’ work days</td>
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Keeping together is a process
In this section, we consider how organizations manage their global share plans and approach ongoing regulatory compliance, share plan administration and employee communications.
Keeping together is a process

Managing global share plans

Following the right steps during implementation of a new plan is crucial but does not negate the requirement to continually assess and amend your plans while keeping all stakeholders informed of those changes.

In order for an organization to meet its desired objectives, it is essential to:

- Undertake continual due diligence
- Efficiently administer your share plans
- Provide clear and concise communications during the life cycle of the plan

We will explore each key attribute of “keeping it together” in the following pages.

- 54% of companies use both their internal general counsel and secretarial teams for share plan management
- 31% of companies use external providers for managing their all-employee plans, while only 15% solely use their internal teams
- 82% of companies rated their external providers’ performance as good or very good with only 77% of internal advisors receiving the same rating
Keeping your compliance on track

How often do you do your due diligence?

This year’s survey results show that 51% of companies undertaking tax due diligence do so on an annual basis, with a further 21% doing it either biannually or semi-annually. An impressive 15% have processes in place to constantly review legislative and other changes that may impact their share plans. Respondents stated that legal due diligence is undertaken with slightly less regularity, with the majority of organizations (60%) reviewing only once a year.

Given the evolving nature of equity plan legislation, it is important for organizations to undertake annual “health checks” to be aware of changes to tax and legal obligations, and not to simply review tax and legal rules at the point of vest.

Only 20% of the survey respondents this year admitted to having non-compliance issues, which supports the comprehensive reviews undertaken by the majority of companies. Although, as a whole, legal and tax issues are reviewed by 86% and 85% of companies, respectively, highlighting the gap of nearly 15% of companies who do not undertake due diligence at any point and devise and manage plans using such things as historical practices, local practice or equitable arrangements for all.

We would like to provide a word of caution when interpreting the results pertaining to the number of organizations who have had compliance issues (20%). The survey results could be skewed due to the delayed nature of filing and reporting obligations in most jurisdictions whereby most non-compliance matters are not discovered until several months, if not several years, after the event. As such, answers in this year’s survey are not reflective of the huge number of global regulatory changes that we have seen imposed in the past 12 to 24 months. It will be interesting to see if the reporting of compliance issues increases in the future. In addition, will the proactive management of risks, resulting from increased scrutiny from tax authorities, reduce the number of investigations?

Only 20% of the survey respondents this year admitted to having non-compliance issues.
Keeping together is a process

Reporting obligations

In addition to changes in compensation design and regulatory updates, in recent years there has been a plethora of new reporting requirements, both for employers and participants. As well as the risk to an organization’s reputation, failure to comply may result in high penalties, interest, sanctions and potentially criminal charges, so awareness of taxation and employment law obligations are paramount in keeping your compliance on track.

An example of this is the Foreign Account Tax Compliance Act (FATCA) in the US, which requires foreign institutions to report to the Internal Revenue Service (IRS) any foreign owned assets by US taxpayers. In the UK, there has recently been a change to the filing requirements for employers regarding information relating to reportable events of securities. Australia has imposed new rules around employer and employee contributions. When the volume of regulatory and other changes across the globe as a whole are considered, it is clear that significant resources to maintain share plan compliance are required.

Interest and penalties have not been imposed on an overly frequent basis based on the responses in this year’s survey. Where they have been applied, only a small proportion (11%) of respondents negotiated with the relevant authorities. With the possibility of penalties up to 150% of the value of the tax owed in some jurisdictions, this can be a substantial factor if the authorities impose the legislation. With increased scrutiny placed on costs within most organizations, this is an area that could keep you on track or send you spiraling into financial panic.

Where penalties have been imposed, only a small proportion (11%) of respondents negotiated with the relevant authorities.

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Fig 13. Organizations who have increased their compliance efforts in recent years

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<td>EMEA</td>
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<td>9%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Americas</td>
<td>90%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Fig 14. Operating withholding — by region

<table>
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<tr>
<th>Region</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMEA</td>
<td>91%</td>
<td>9%</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>81%</td>
<td>19%</td>
</tr>
<tr>
<td>Americas</td>
<td>95%</td>
<td>5%</td>
</tr>
</tbody>
</table>
Withholding obligations

The number of companies operating income tax withholding at the point of exercise or vest on equity awards has remained consistent with figures tracked in 2012 (88% vs 97% in 2012). This shows a marked increase on the 65% of companies who operated income tax withholding in 2010.

The majority of companies engage external support with calculating withholding taxes, and this is consistent across the regions with only the Americas showing a slightly stronger tendency to get assistance (59%) than Asia-Pacific (56%) and EMEIA (50%). Of those organizations who do not engage support, responses show only 14% have compliance issues relating to withholding taxes, down from 19% in 2012 and 32% in 2010. Similarly, only 14% have been challenged by authorities regarding their withholding tax positions, down from 50% in 2012 and 84% in 2010.

Considering the increased number of regulatory changes in recent years, we would expect to see compliance issues increase. However, in fact, this year’s survey results show a drastic decline in the volume of compliance-related matters in 2014. This is likely to be attributed to the increased focus that organizations are placing on due diligence and resultant actions such as obtaining assistance from external providers.

26% of respondents have experienced non-compliance in relation to their global share plans.

Authorities in Switzerland, France, Australia, the UK, Netherlands and are the most likely to challenge positions.
Keeping together is a process

Globally mobile employees

Global mobility has increased significantly over the past decade and expatriates constitute a large and diverse market. According to recent research, the total number of expatriates worldwide amounted to around 50.5 million in 2013. Unsurprisingly, compliance matters pertaining to globally mobile employees is one of the fastest-growing revenue streams for authorities.

Regulations pertaining to this sub-group of employees can be exceptionally complex, and organizations can easily get things wrong. Moving between jurisdictions creates challenges and risk, and although they likely make up a small percentage of the entire share plan population, their seniority within the firm brings with it added difficulties which can't afford to be ignored.

The main concerns of companies when it comes to their international workforce remain as they were in 2012: tracking, tax allocation and tax policies.

One of the most important factors in having a compliant expatriate program is accurate recording of dates and locations pertaining to all internationally mobile employees. Whereas a significant number (56%) of survey respondents do track temporary assignees (those on temporary assignments with a right to return to their home location) as well as employees who take up a permanent role in a new jurisdiction, nearly half of companies track only formal assignments. Furthermore, as stated in the Global Mobility Effectiveness Survey conducted by EY in 2013, 73% of companies responding to that survey stated that short-term business travelers are not managed by the globally mobile functions and are flying under the radar – often unknowingly – generating huge problems for their employers. This area is likely to become an even greater challenge going forward as we see more flexible working arrangements, increased travel outside of traditional expatriate assignments and the increasing recognition of cross-border telecommuters.

This will undoubtedly create the potential for serious compliance issues for those organizations in coming years as, without accurate tracking, calculating withholding under the appropriate allocation methods will be challenging. There is a general trend of organizations opting to use “local” or “local plus” type arrangements rather than traditional assignments in an effort to reduce program costs and this will exaggerate the issues associated with this reporting gap.

The increasing trend of organizations offering local moves over assignments, together with the increased use of equity-based products as a form of remuneration, is bringing expatriate equity to the forefront of corporate awareness.

In addition to compliance issues for the organization, relocating permanently can have major impacts for employees with equity-based compensation. In our experience, expats rarely consider the impact of their move on future vesting of equity awards, which often results in an unexpected position of personal tax liability at that time.

Experienced and savvy global movers who do raise the question often expect some level of tax protection when taking a new permanent role overseas. A significant 91% of companies surveyed offer some form of tax equalization or tax protection on at least some equity compensation for those relocating onto a foreign local contract.

91% of companies offer tax equalization or tax protection on at least some equity compensation for those relocating onto a foreign local contract.
Surprisingly, we see only 85% of temporary assignees receiving the same level of cover, which is generally the sub-group of mobile employees who are tax equalized. These statistics could reflect the greater awareness of the impact that local moves have on equity compensation, showing us that experience is driving policy.

In order to avoid issues at the time there is a taxable event, it is important that organizations have discussions early in the relocation process. Utilizing the expertise of your internal and external share plan administrators to ensure communications are informative, effective and timely should be of utmost priority. We will explore communications and their impact on share plan participation and success in the following sections.

**Employee tracking**

91% of the respondents have a central tracking tool in place, which is a notable increase from 2012 when 85% of respondents had such tools. 56% track both assignees and local movers, meaning 44% track only formal assignments and not those who take up permanent contracts in a foreign jurisdiction.

**Income tax allocation and withholding**

74% of respondents in 2014 stated their company allocated the gains realized by their internationally mobile workforce between the different countries for withholding purposes, which is the same as in 2012. We expect to see this number increase in the future as a result of increased scrutiny and new legislation in many jurisdictions.

**Tax policies**

63% of companies confirmed that they have a tax equalization policy, and of those companies, 27% confirmed that all types of equity-based compensation are covered under their tax equalization policy whereas a further 37% tax equalize on some equity compensation.
Administering share plans effectively

Employee stock and share plans are a core element in employee and executive compensation packages and if not managed correctly can dilute the impact and work against the strategic direction. Positively, results of the survey indicate that the majority of companies believe their share plan administrators perform well or very well. Eighty-two percent of those with external administrators rated them as such, and 77% of companies with internal administrators responded that way, which shows a general upward trend from 2012.

Fifty-four percent of organizations use a mix of both internal and external administrators to manage their share plans. Twenty-six percent of companies use only internal teams for administering their executive-only plans, with even less (15%) of respondents using internal teams for administering their all-employee plans. With the majority of companies (74%) sourcing support from external providers (either exclusively or in conjunction with internal administration teams), it evidences the importance that organizations place on keeping their share schemes operating smoothly.

For those companies who engage with external share plan administrators, we have seen an increase in the number of organizations that use the same provider to administer all of their global share plans – 85%, up from 73% in 2012.

Keeping your administrators on point

It is impressive that the majority of companies are happy with their administrators, but, unsurprisingly, the economic climate putting pressures on organizations to achieve more with less means that there is still room for improvement.

In keeping with prior years’ findings, and aligning to the general technological era that we live in today, the main area that is of interest to organizations is the technology provided or used by the share plan administrators. Accessing data is the key driver for technology improvements, with companies asking questions such as:

- How can we improve our reporting?
- How can our employees have greater visibility of their equity? How can we access information on the move?
- How are calculations allocated for mobile employees?
- How can we get timely cost and fund information?

Getting information in a timely, informative and useful way is not only key at a corporate level but also for employees. As stated, organizations are happy with share plan administrators in the main, but only 50% feel that their plans are effectively communicated to participants.

Other areas of improvement that organizations would like to see from their plan administrators is around the knowledge piece – in general, regarding best practice, local markets and tax reporting, but also expertise in specialist areas such as global mobility.
Fig 16. Continual improvement requests from organizations to share plan administrators

**Systems**
- Greater online flexibility
- Reporting capability
- Data management – proration, exchange rates, etc.

**Knowledge**
- Advice on tax reporting
- Increased knowledge – plans, markets, local law

**Global mobility**
- International tracking
- Improved administration of globally mobile employees split payment facilities

**Communications**
- Speed of response to queries
- Call center support
- Proactive communication with participants
Keeping together is a process

Keep communicating

As mentioned in earlier sections of this report, global share plans are complex beasts that require expert management. Employees are not all experts in share plans though, so ensuring they are fully educated regarding their equity compensation is a key requirement of any plan management strategy. However, we frequently see that organizations spend proportionately less time on communications than on due diligence or other planning matters. So, does this really matter?

Results in 2014 (56%) reflect those in 2012 (52%) regarding the number of organizations that prepare correspondence internally without consulting legal, tax or other such experts. Of those respondents, only 54% rated their communications strategy as effective, with 36% rating their communication as either neutral or not effective.

Possible reasons for these ratings can be extrapolated using responses to other questions — for example, we see only 25% of organizations always translate equity-related communications, and a significant 23% never translate communications. Similarly, 25% of companies admit to not advising employees about the tax treatment of the potential gains and the timing of taxation. If you consider that 10% of companies do not even advise employees of the plan rules under which their equity compensation has been awarded, it is easy to see why a third of respondents feel that their communications are not sufficiently effective.

Keeping messaging as part of your process

As we see the regulatory landscape changing with increasing pace, we muse as to whether organizations are sufficiently aware of the impact of these changes on their global share plans and, furthermore, whether there are considerations around communicating such changes to their employees. Only 31% of companies indicated that they provide ongoing communications throughout the life of the award, suggesting that, at the very least, 69% of organizations are not informing employees of reporting or taxation obligations that may change or be implemented during the life of the award. This number may, in fact, be higher, as we don't have sight of the content of the communications for the 31% that do regularly share information.

If communications strategies were considered more thoroughly, would we see an impact on participation rates? Would more communication result in higher or lower participation rates? Would providing more information to employees entice them or dissuade them? For example, if an onerous reporting requirement meant that employees had personal reporting obligations for a minor equity product, and they were aware of that obligation, would they choose to opt out of the plan altogether? Conversely, would providing more information on the potential benefits and/or clarity around process entice more enrollment?

Undoubtedly, though, poor communications leads to lower employee engagement in global share plans. We see a distinct correlation between the number of methods used to communicate and with participation rates. Of those organizations with the lowest participation rates (0-15%, 16-25% and 26-35%), 64% of them utilize only one
Only 36% of organizations utilize more than two forms of communication.

Overall, the most common form of communication is email and internet, with 42% of companies making use of technology for sharing information. Letters (30%) and booklets (27%) are the next most popular forms of communication. Although the relative percentages show a decrease in 2014 (e.g., 75% of companies in 2012 stated they use email and internet compared to only 42% in 2014), the traditional methods have remained popular throughout our survey reports, proving the most common formats for communicating in all three surveys.

Not surprisingly, social media is not a popular mechanism for sharing share plan information, most likely due to the confidentiality of the information involved. Only 1% of respondents make use of Twitter or Facebook, which is actually an increase on the 0% response rate in 2012, but it is not marked enough to show a growing trend.

**Fig 17. Share plan information provided to employees**

- Acknowledgement of receipt of the plan rules: 25%
- Motivation of the awards made to the participant: 35%
- Tax treatment of the potential gains and timing of taxation: 75%
- Award details (quantum, performance/service conditions, performance/vesting period, etc.): 85%
- Plan rules: 92%
Keeping together is a process

Who
- 52% of respondents provide share plan details to all key stakeholders (employees, HR, finance and payroll).
- 42% provide information to employees only and fail to advise other parties.

What
- Over 80% of respondents indicated that they provide award and plan details.
- 75% of respondents indicated that they provide taxation information.
- 35% of respondents indicated that they provide information on motivation of awards.
- 25% of respondents always provide a translated version of communications.

When
- 46% of organizations stated that they provide plan information at both grant and vest dates.
- 31% of respondents in 2014 (compared to 56% in 2012) stated that they provide ongoing communication over the life of the award (e.g., estimated value, performance target tracking).
Compliance with regulations and procedures continues to be a key issue for successful global share plan management.
Working together is success
As the internal and external environments evolve, so will the design of global share plans. In this section, we look ahead and examine what “success” may look like in the future.
Working your way to future success

Over the last year, disclosure requirements regarding remuneration have increased. So what does this mean for global share plans? It will be interesting to see what changes companies make in respect of share plans to ensure that policy is aligned with business strategy.

In addition, although our results indicate that organizations are taking steps to ensure compliance, it is not yet clear whether increased focus from authorities on share plans (for example, during the “Know Your Customer” process in the UK) will mean that organizations will be proactively managing risks and whether this will reduce investigations by tax authorities.

Agenda for the year ahead

Only 15% of survey respondents indicated that they were considering implementing a new global share plan in the coming year. With economic uncertainty still a factor, we believe the stability within current share plans is due to organizations applying a cautious remuneration strategy. This also could be attributed to the same philosophy that seems to be applied to the regularity of due diligence.

Whereas that is understandable and indeed reflects prior years’ statistics, the increased scrutiny that authorities are placing on equity compensation in general means that organizations need to continually assess, amend and communicate their plan positions.
Glossary

Deferred bonus plan with share match
Participants defer a proportion of their bonus to purchase shares in the organization. The organization may promise that if certain conditions are met it will match the number of shares purchased in some ratio.

Discounted share purchase plan
Participants are given the opportunity to purchase shares in the organization at below market value. The participants immediately become shareholders and there may be restrictions on selling the shares.

Free/restricted share plan
Participants receive free shares in the organization, the number of which may be determined by performance. There may be restrictions on the shares. In some plans, participants may be awarded free shares, which they may have to sell back to the organization if certain performance conditions (or continued employment) are not met.

Market value option plan
Participants are given an option to acquire shares in the organization at a fixed price in the future, which is equal to the market value of the shares at the date of grant. The number of shares that may be exercised after a specified period may be determined by performance over that period.

Nil cost option or discounted option plan
Participants are given an option to acquire shares in the organization at a fixed price less than the market value of the shares at the date of grant (such price may be zero). The number of shares that may be exercised may be determined by performance.

Phantom share plan
Any of the aforementioned types of plans that will be settled in cash as opposed to equity.

Restricted stock unit plan
Participants are given the right to acquire a number of shares in the future. If the participant leaves before the end of this period, the right to the shares may be forfeited. Performance conditions may be attached.

Share matching plan
Employees purchase shares and the organization promises to match, in some ratio, the number of shares acquired. Performance conditions may apply.
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