

A photograph of two women in an office environment. The woman on the left, with short blonde hair and glasses, is wearing a red blazer over a white shirt and is gesturing with her hands while speaking. The woman on the right, with dark curly hair, is wearing a grey t-shirt and green pants, holding a black folder and listening attentively. The background shows a modern office interior with large windows and indoor plants.

Guide To Better **Employee Equity Plan Management**

Comprehensive equity compensation programs can help companies attract and retain talent, deepen employee commitment and foster a culture where everyone feels invested in the company's success.

Whether you're designing a new program or want to improve an existing one, managing an equity compensation plan means taking on several key responsibilities.

This guide is designed to help answer common questions on equity compensation management tools the EQ team regularly fields on the topic.



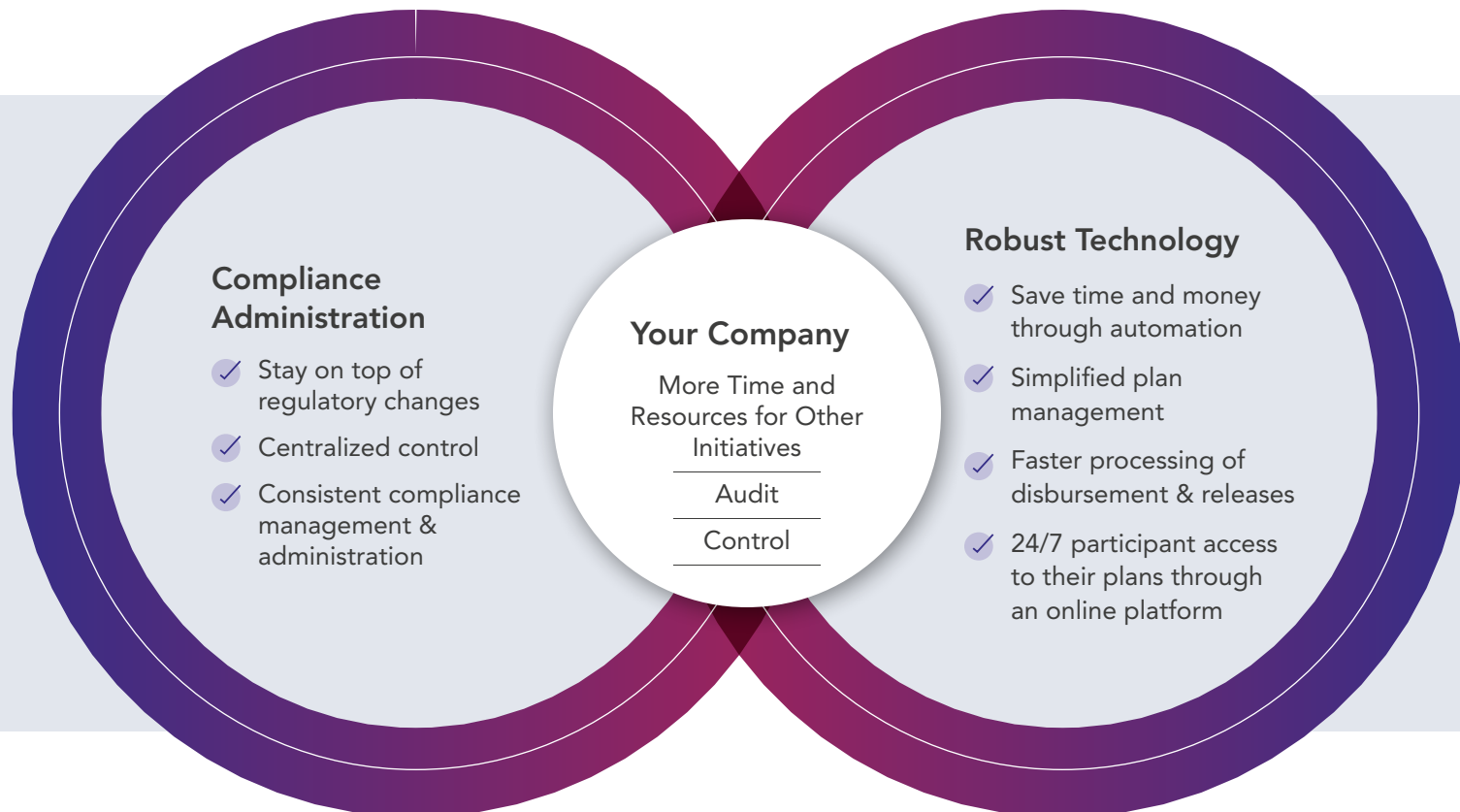
What are the benefits of outsourcing?

Whether you're offering an employee stock purchase plan (ESPP) or employee participation in a direct stock purchase plan (DSPP), equity plan administration is a complex undertaking. It takes considerable time, from keeping apprised of local regulations and reporting requirements to making disbursements and analyzing data.

However, what happens when the person who knows the most about the plan administration retires or finds a new job?

The responsibilities don't stop while a new manager is identified, hired and trained. The institutional knowledge gap that exists can cause headaches for employees and your company.

Outsourcing your equity plan administration can provide continuity and help reduce costs and risk of lost knowledge.



High-Demand Features

ESPPs that offer a

15%

discount with a lookback feature have a **participation rate** of

44%

— well above participation rates for plans that offer lower discounts or no lookback.

Source: [The Society for Human Resource Management \(SHRM\)](#)

How can I boost ESPP participation?

More and more companies are offering ESPPs to increase employee engagement, improve retention rates and create a culture of ownership. Following are three ways to help boost ESPP participation.



Educate Employees for Growth

Don't assume that your ESPP offering (or long-term investing in general) is easy to understand or that participating in this type of benefit is common practice. Clearly explain to your employees how your ESPP is complementary to retirement savings.



Use Year-Round Engagement Strategies

A meaningful, year-round campaign will increase ESPP participation, as you educate your newer and longer-term employees on the value of a stock program and how it differs from a 401(k). Employees that are new to the workforce, public companies or your organization may need to learn more about how ESPPs can benefit their long-term retirement goals.



Reevaluate and Improve Effectiveness

It may be time to reevaluate your plan and consult with your plan administrator about how your ESPP could be more effective. If participation is low, maybe there's a long restriction period or your discount isn't appealing enough — or you don't offer lookback pricing.

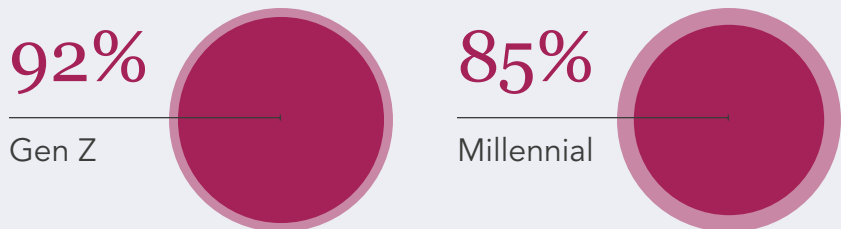
How can I encourage more of our younger employees to participate?

Millennials and Generation Z employees are among the most insistent on wanting to work for organizations that offer a good ESPP. Having a superior plan that's skillfully communicated and expertly administered provides big advantages for companies that want to attract and retain the best talent possible.

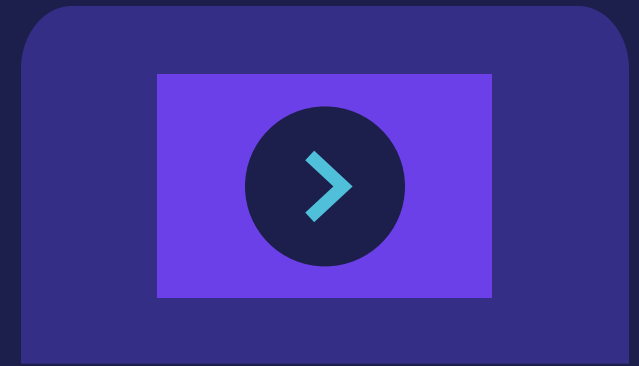
Your company's stock ownership plan can provide an invaluable tool to catapult younger generations toward greater financial security while also having a positive impact on your company's growth.

Open to Participation

Likelihood of staying with an employer that offers more financial wellness benefits.



Source: 2024 Financial Wellness in the Workplace Report, PNC Bank



Tip: Use Video to Educate

Create a video of your company leadership talking about why your company offers this benefit. Consider including Gen Z testimonials from plan participants sharing their experience with your stock plan.



What are the most important tax considerations to address?

Getting out in front of taxation issues will help prepare your organization for tax season and when vesting questions inevitably arise.

Here are two of the most common tax questions we hear from clients:

QUESTION: Can equity plan participants elect any tax rate for share withholdings?

ANSWER: For companies with U.S. participants, **Notice 1036** issued by the Internal Revenue Service (IRS) is clear. Released in December of 2016, it sets the statutory rate for any supplemental holding under \$1 million at 22% and a 37% tax rate for earnings greater than \$1 million.

QUESTION: What should the practice be for participants outside the United States where tax rates can vary based on income, marital status and other factors?

ANSWER: An emerging best practice is to use a flat tax rate and calculate withholdings at a higher local rate, so the difference can be reconciled later. This way, when non-U.S. based participants file with their tax authorities at the end of the calendar year, the taxes will be adjusted — just as they would be in the US — and the issuer is able to true-up through its payroll or with the local tax authorities.

If you deviate from the IRS's statutory share withholding rates, your grant will fall into liability accounting, which will bring another layer of complexity when you're preparing your financial statements.

Source: "**Put Your Best Vest Forward: Emerging Best Practices**," Equiniti

How can EQ make managing my equity compensation program easier?

EQ helps companies to build their equity plan solutions to help motivate, align and incentivize employees, while also reducing the administrative load on HR and finance teams. We have the systems capability and the client relationship management expertise to handle all variations of purchase plans.

Our experienced team works with you to build employee equity plan solutions that fit within your budget and reflect your employee engagement objectives to deliver your plan with seamless execution.

Connect with our team to learn about EQ's equity plan offering and full range of services. [Learn more](#) or visit us at [Equitrax.com](https://equitrax.com)

Contact us: <https://equiniti.com/us/contact-us/>



ABOUT EQ

EQ are specialists in helping you better understand and manage the ownership of your company through critical events across the corporate lifecycle. As trusted advisors, we provide strategic insight and operations expertise through our core business units in Private Company Services, Transfer Agent Services, Employee Plan Solutions and Proxy Services. Globally we serve 6,700 clients (49% of the FTSE 100 UK and 35% of the S&P 500), with over 40 million shareholders, through 6,500 employees in 5 markets around the world.

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