

ADMINISTRATIVE EFFICIENCIES: STRATEGIES FOR SUCCESS



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GRANT ADMINISTRATION FUNDAMENTALS



Transparency

Be upfront about the purpose and value of equity grants as well as the company's vision and growth trajectory to build excitement. Include clear grant terms: vesting schedules, exercise windows, tax implications, and exit strategies in simple, concise language. Provide FAQs and access to financial advisors.



Global Sensitivity

Consider Market competitiveness: Research local salary benchmarks and adjust grant values accordingly to ensure fair compensation globally. Consider offering alternative equity formats like RSUs or SARs in regions where stock options are less common or face tax hurdles. Tailor communication to different regions, considering cultural nuances and local regulations.



Centralized Platform

Utilize your equity platform for grant assignment, grant agreement acceptance, and Q&A access. Offer localized versions if needed, including micro-sites to reach diverse workforces.



Standardized Vesting Schedules

Consider consolidating grant/vest dates that with clear, consistent schedules across the periods to simplify calculations and administration. Avoid common dates like quarter end when other transactional activities occur.



Whole Shares Vs. Fractional Shares

Continually reevaluate grant value in dollars vs. share amounts per vesting. Decide if fractional shares would deliver additional perceived value, particularly if you have a high share price and low grant values.

VESTING & SETTLEMENT EFFICIENCY

AUTOMATION AND INTEGRATION

Utilize all the tools available through your stock plan administration software. Automate vesting calculations, schedule notifications, and establish electronic data exchange (EDI) such as API connections to integrate with payroll and HRIS systems for seamless settlement.

CONNECT WITH TRANSFER AGENTS

Create automation between your broker and transfer agents to expedite share issuance and avoid manual letters/ data entry. Consolidate DWAC to reduce daily fees. Remember we are moving to T+1, now is the time to stop manual intervention!

LEVERAGE PRE-BUILT REPORTS

Leverage pre-built reports and workflows: Utilize standard reports for tracking vesting schedules, share balances, and tax information, minimizing manual report generation.

REVIEW AND OPTIMIZE WORKFLOWS

Regularly analyze and improve internal processes for grant issuance, vesting calculations, and settlement to eliminate bottlenecks.

OUTSOURCE COMPLEX TASK

Explore outsourcing activities like tax reporting to specialized service providers to save time and resources.

PROCESS OPTIMIZATION

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TAX & SETTLEMENT

Consider simplifying multiple tax settlement options

Create a default withholding method for employees that is beneficial to the company and simplest to administrator.

Review tax withholding rates

Ensure you have tax tables/rates are set up in your stock plan administration platform.

Consider US Next Day Payment timing requirements

Remember, federal tax exceeding \$100K (collectively) is due next day to the IRS. Consider if using pre-funding would take the pressure off payroll process timing.

Retirement Eligibility

Consider utilizing the rule of administrative convenience to collect FICA at one or two points each year.

PERFORMANCE GOAL TRACKING

Processes

Create process for interim updates including financial reporting. Pay vs. Performance is gaining more scrutiny, and critical to develop controls about your calculations of Compensation Actually Paid, and performance measures. This is a highly specialized and nuanced area, where the use of a 3rd party specialist will likely minimize risk.

Admin Platform

Consider how you enter performance awards with goals and measurement period within your equity administration platform. Example: One goal with multiple performance measurement criteria.

Third Party Systems

Systems that link to participant experience as well as administrator updates- Automation tools that track relative and absolute performance goals. TSR based metrics are easiest for tracking since those are published daily through automated data sources like Capital IQ.

PROXY REPORTING BEST PRACTICES



Implement Technological Tools

Utilize tools such as canned equity software reports, create macros and automation to consolidate and format data for efficient report generation and regulatory compliance.



Collaboration

Communication and collaboration between stock plan administration, accounting, and legal teams to streamline data sharing and quality control.



Optimize Data

Optimize data gathering from different sources for stock plan information (e.g., grant records, exercise data, valuation models) to minimize manual effort and ensure accuracy.



Timeline

Create a timeline of deliverables for each department based on your annual meetings date. Identify and prioritize key disclosure elements early in the proxy reporting cycle.



Standardize Common Disclosure Sections

Standardize and template common disclosure sections to reduce redundancy and errors in report drafting.

COMMUNICATION STRATEGIES

Improve participant understanding by communicating with them at the right time and with the right message.

UTILIZE DIFFERENT COMMUNICATION DELIVERY METHODS

Townhall, Print Materials, Microsites, Videos, etc. Additionally, host Q&A sessions: Organize live or recorded webinars to address employee questions and concerns about the grants. Provide recordings and transcripts for later reference.

TRACK & MEASURE

Monitor participation in Q&A sessions, satisfaction surveys, and grant exercise rates to evaluate the effectiveness of your communication and delivery strategies.