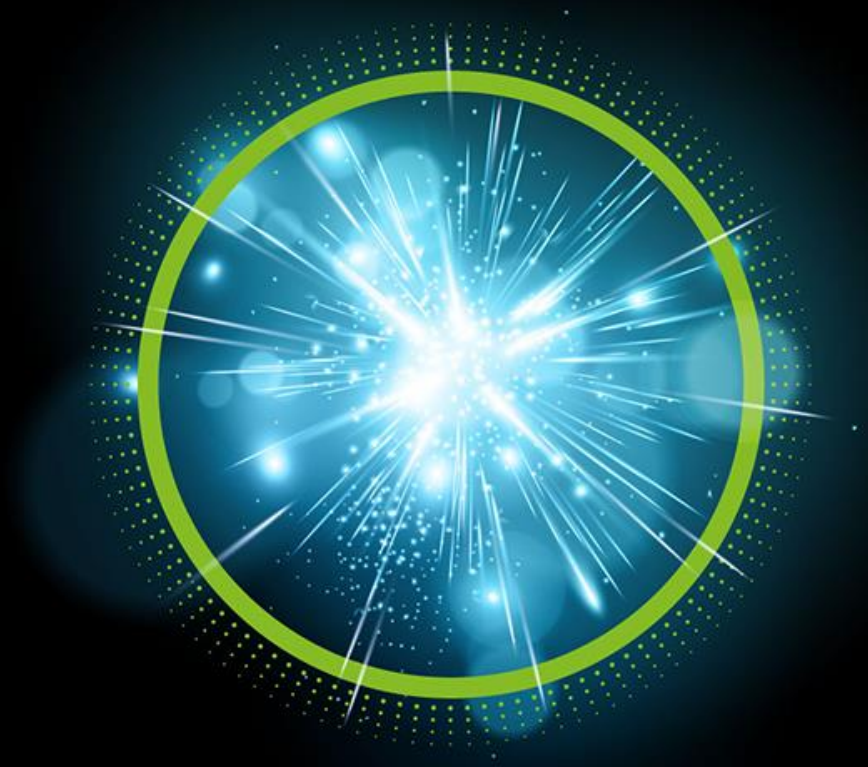
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Top Equity Trends

Select Results from the 2024 Equity Incentives Design Survey

Presented by Deloitte Tax LLP and the National Association of Stock Plan Professionals (NASPP)

MAKING AN IMPACT THAT MATTERS since 1845

Summary

In our continuing quest to stay at the forefront of equity-based compensation program design, Deloitte Tax LLP ("Deloitte") and the National Association of Stock Plan Professionals ("NASPP") conducted the 2024 Equity Incentives Design survey to gather insights on objectives, priorities, and design features among publicly-traded companies.

- The enclosed materials provide survey highlights from over 360 participants.

Our objective for this summary is to spur insights and discussions as organizations look for opportunities to enhance the return on their equity-based compensation investment.

- We are also available to run custom data analyses to help you hone-in on practices based on industry, organizational size, and geography.

Please contact us with questions or comments.

Regards,

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Survey Overview

The survey provides an in-depth look at equity plan design features of publicly-traded companies compiled from over 360 publicly-traded companies. The full survey includes information on:

- Plan design
- Time-based full value awards
- Performance-based awards
- Time-based stock options (SOs) and stock appreciation rights (SARs)
- Country / jurisdiction -specific plan features

This document presents key highlights to consider with respect to equity plan design features against market practices.

Survey Background

- Full survey consists of over 100 questions.
- Last conducted in 2021.

Survey Responses

- Over 360 companies participated.
- Responses collected from March to May 2024.
- Respondents represent a broad range of industries and sizes.

About the Respondents

- All are public companies.
- 36% are high-tech companies.
- 91% are headquartered in the United States.
- 88% have employees outside of their headquarter country / jurisdiction.

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Survey Highlights



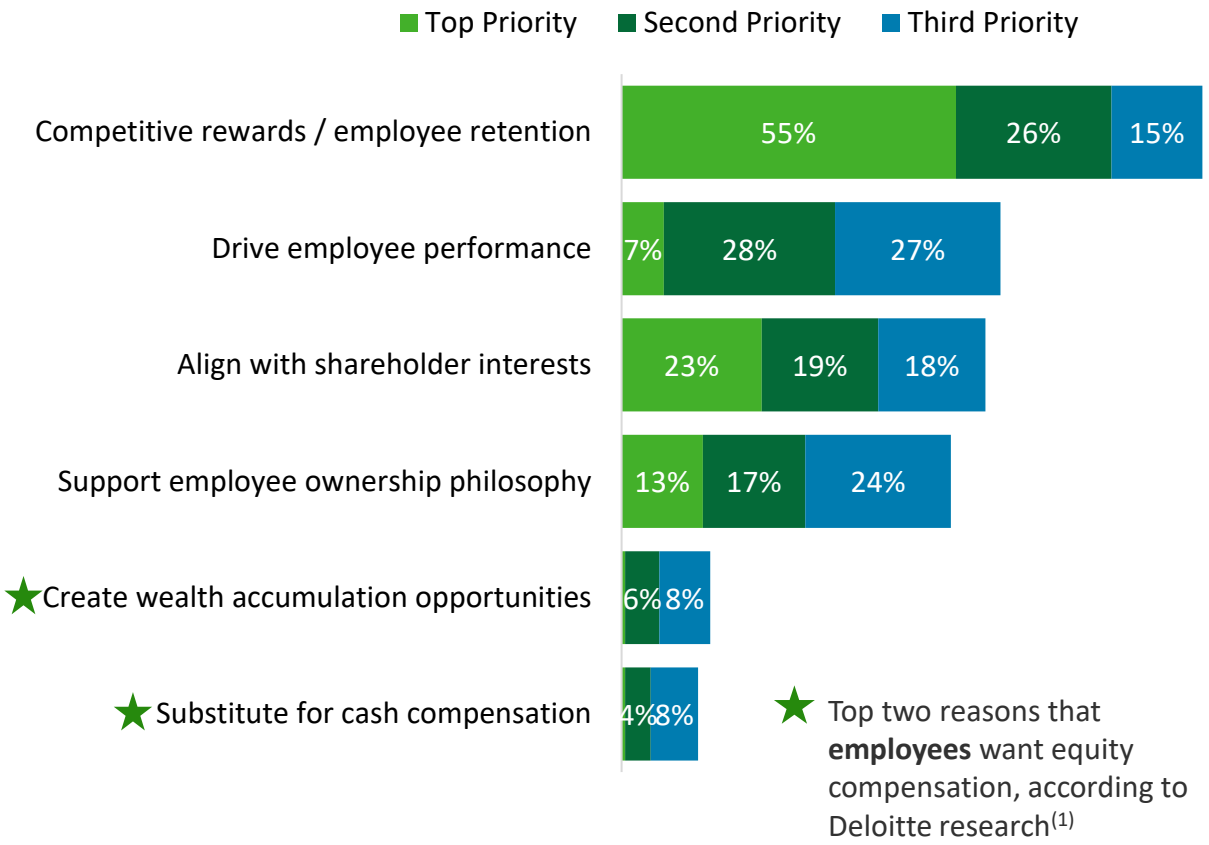
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Plan Objectives

Deloitte Insights: *Deloitte research shows wealth accumulation and cash flow are top employee priorities but low for employers. How can organizations better align these objectives?*

Companies offer stock compensation to provide **competitive rewards** and promote **employee retention**.

Detailed Rankings



★ Top two reasons that **employees** want equity compensation, according to Deloitte research(1)

Top 3 Reasons Companies Offer Stock Compensation

01 Competitive rewards / employee retention

02 Drive employee performance

03 Align with shareholder interests

(1) Deloitte, Stock-based compensation for an increasingly diverse workforce, June 2024.

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Plan Priorities

***Deloitte Insights**: Improving employee communications was also top finding in the Deloitte/NASPP 2023 ESPP survey[1]. Deloitte research also indicates employees use external networks for plan education[2]. How can employers enhance and manage the messaging?*

Companies are prioritizing **employee communications and education**.

Top Three Priorities

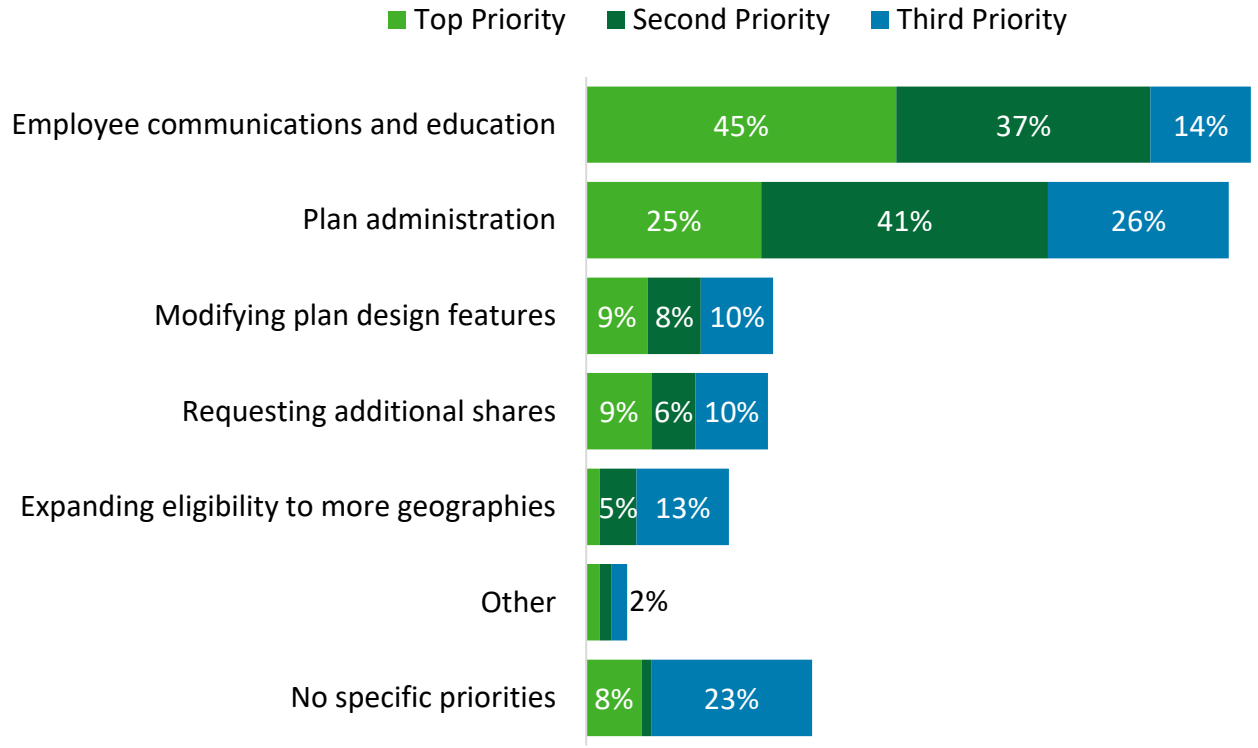
01 Employee communications and education

02 Plan administration

03 Modifying plan design features / requesting additional shares*

* Modifying plan design features and requesting additional shares were separate choices; approx. an equal percentage of companies included each among their top three priorities.

Detailed Rankings



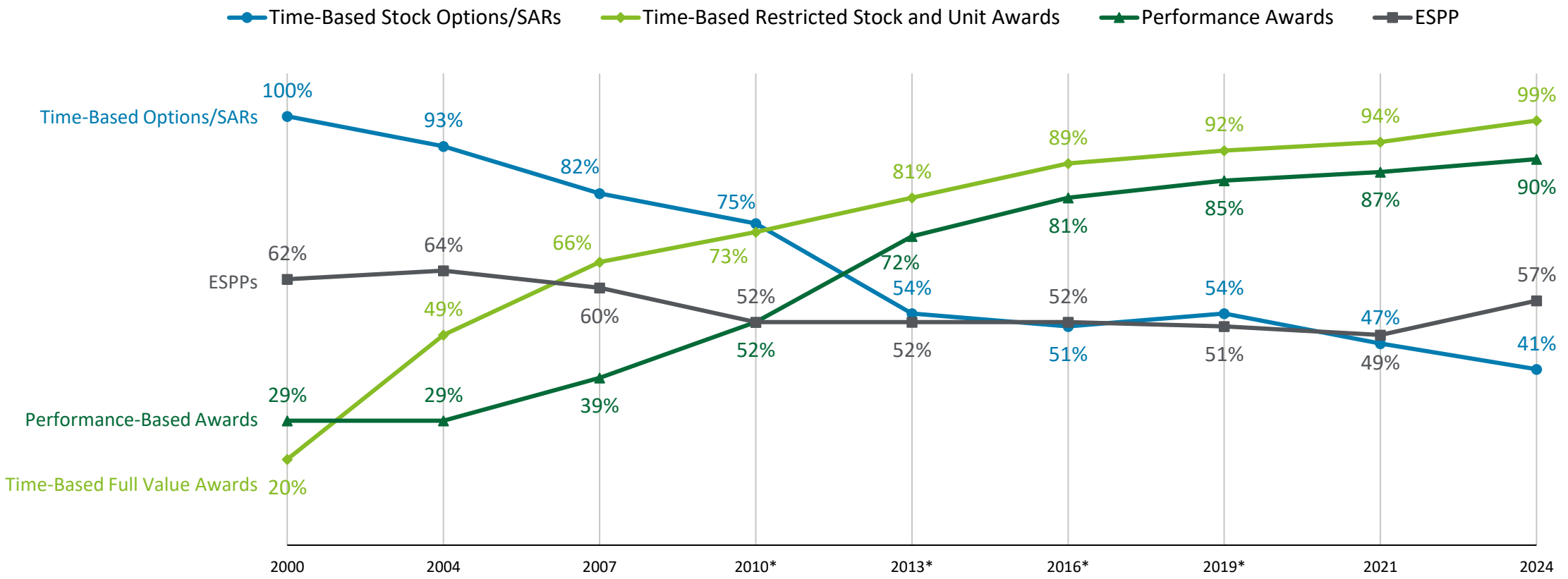
(1) 2023 Employee Stock Purchase Plan Survey, developed jointly by the National Association of Stock Plan Professionals and Deloitte Tax LLP
(2) Deloitte, Stock-based compensation for an increasingly diverse workforce, June 2024

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Prevalence of Equity Vehicles

***Deloitte Insights**: Equity award practices have evolved over the past two and a half decades due to market volatility, shareholder influence, and changes in tax and accounting treatment. Could employee choice programs, designed to enhance experience and ROI, shape the future of these practices?*

Over the past two decades, public companies **shifted from stock options to full value awards**. This trend continues in the results of the 2024 survey, but the survey also shows an uptick in the prevalence of ESPPs.

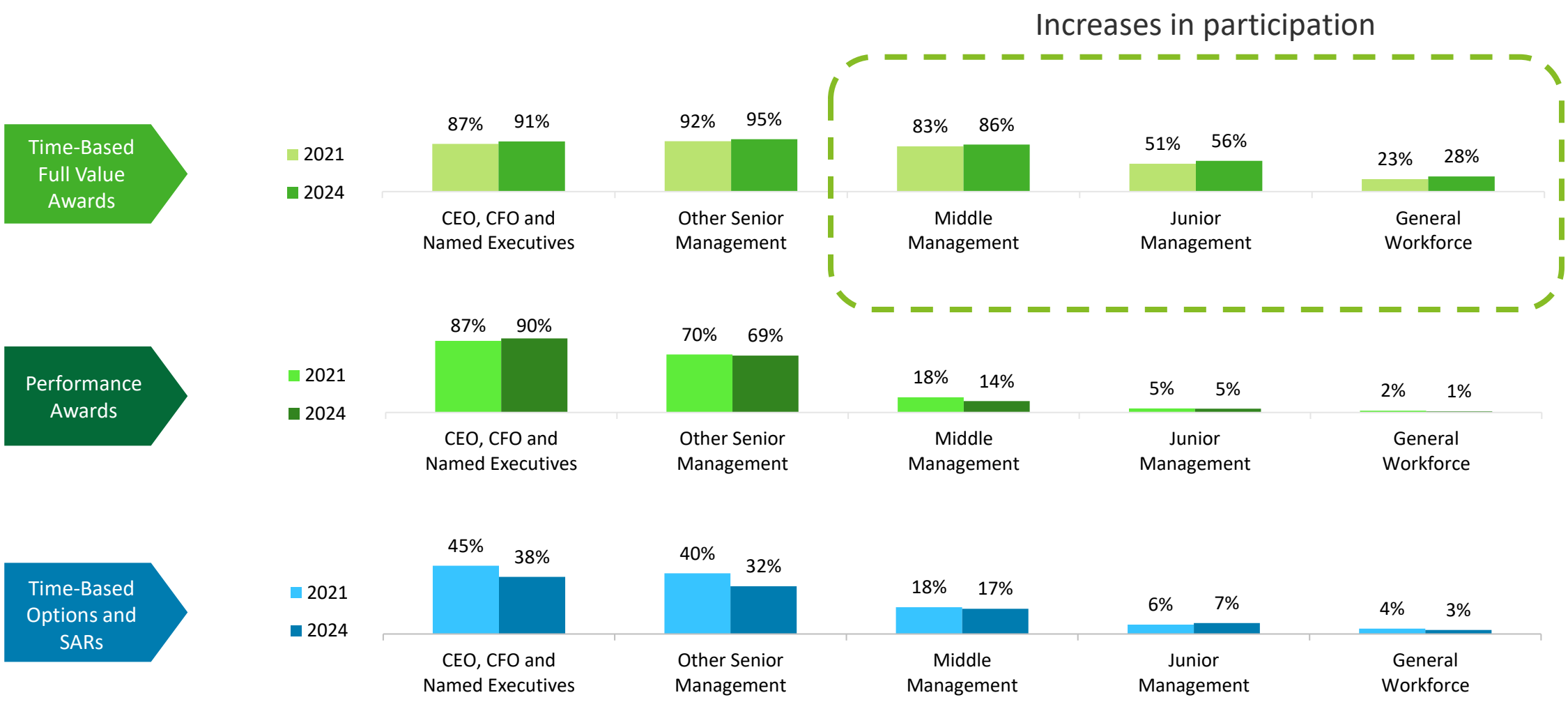


* For the years 2010 to 2019, the data on the prevalence of ESPPs was collected one year later than the data on discretionary equity awards (i.e., the ESPP data was collected in 2011, 2014, 2017, and 2020)

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Prevalence of Equity Vehicles by Level

***Deloitte Insights**: Expanding employee participation in full value awards and the increasing prevalence of ESPPs support the trend of sharing more value with the workforce. How is your company responding?*

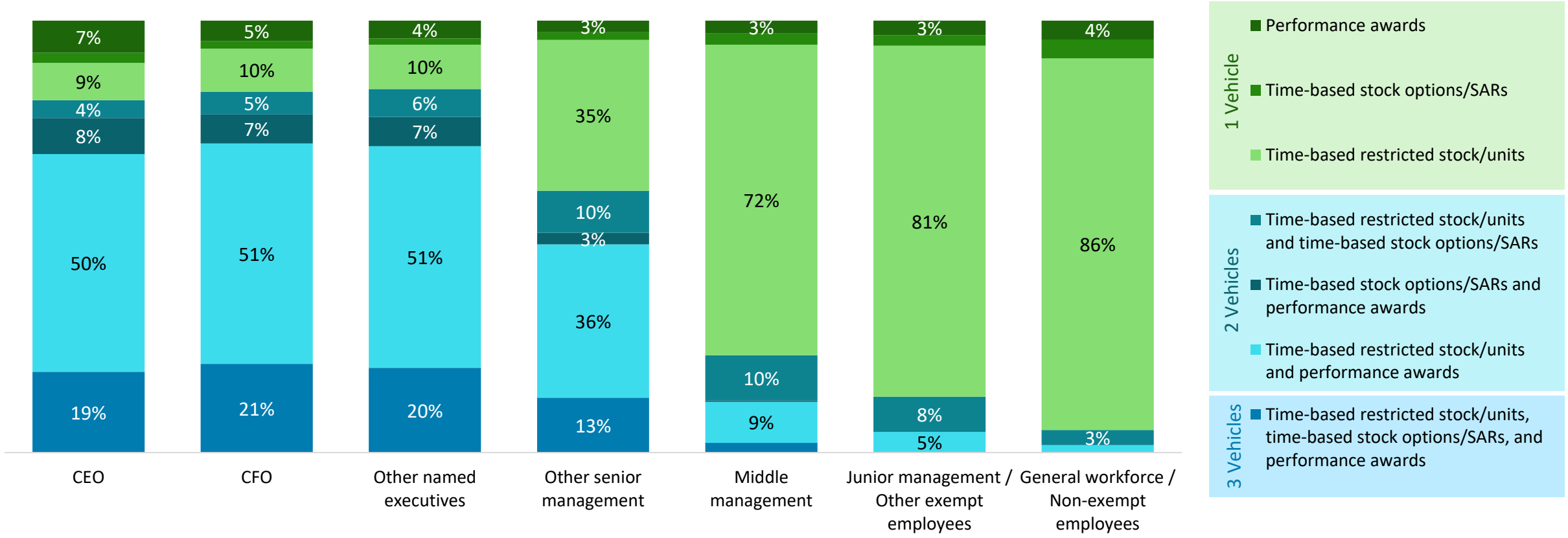


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Equity Mix

***Deloitte Insights**: Equity plan diversification has been a trend for executives over the last two decades. As more employees share in value creation opportunities, how is employee education evolving to inform the balance between employee equity awards, ESPPs, and investing in the 401k plan?*

A combination of time-based restricted stock/units and performance awards is the most common mix for senior management and above. For middle management and below, time-based restricted stock/units only is most prevalent.

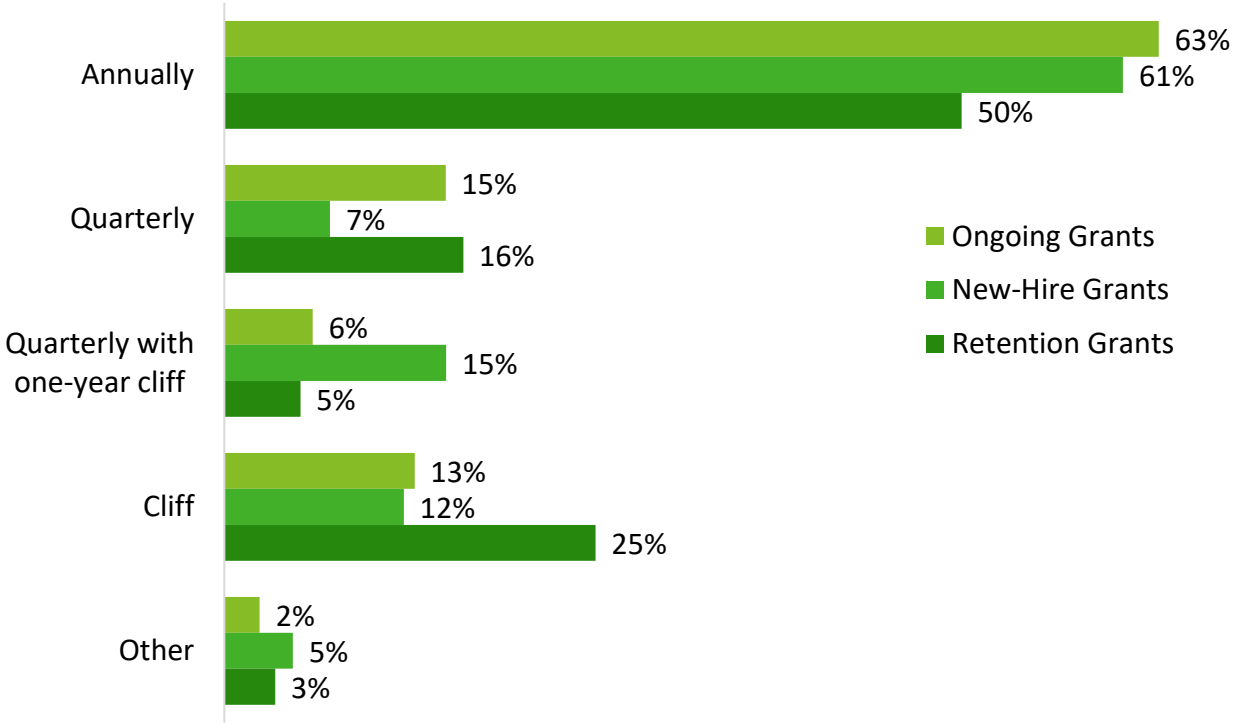


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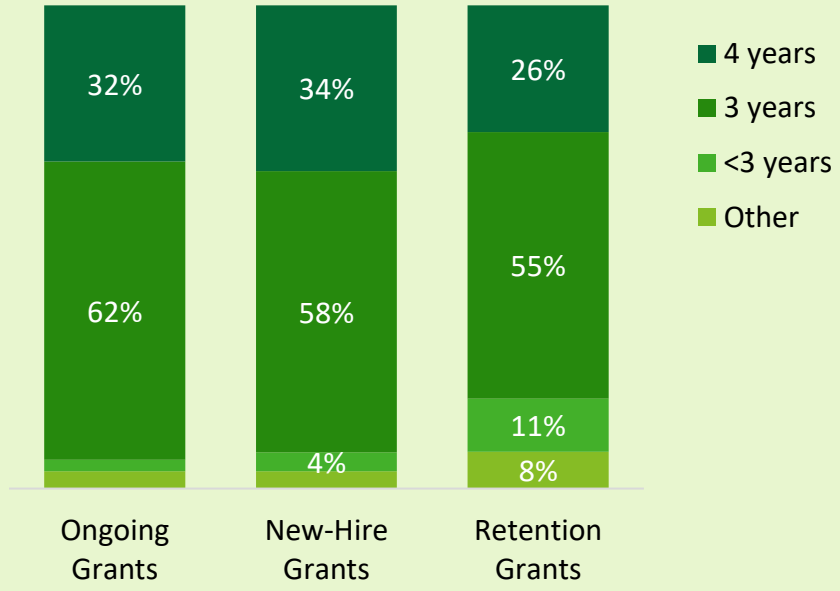
Time-Based Restricted Stock and Units

***Deloitte Insights**: While vesting provisions show some customization, can companies further align these and other design features with employee objectives? Does your company **fully** understand employee priorities?*

Annual vesting is the predominant approach for time-based full value awards, but just over 20% of companies use quarterly vesting (more commonly with a one-year cliff for new-hire awards). Companies are more likely to use a cliff vesting schedule for retention awards than for ongoing or new-hire awards.



Awards predominantly vest over a **three- or four-year period**.

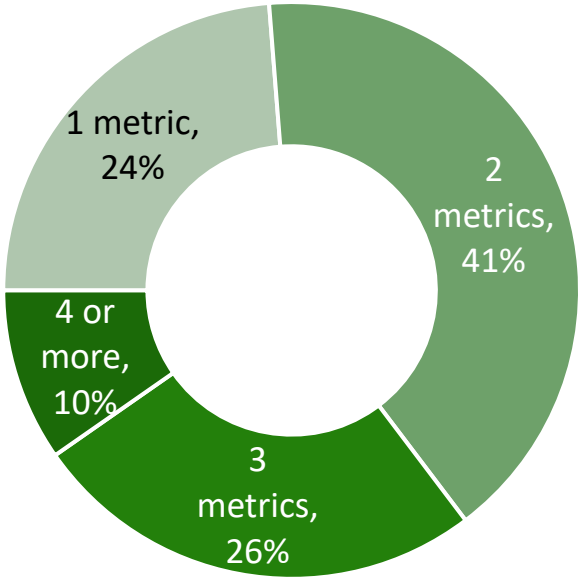


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Performance-Based Awards

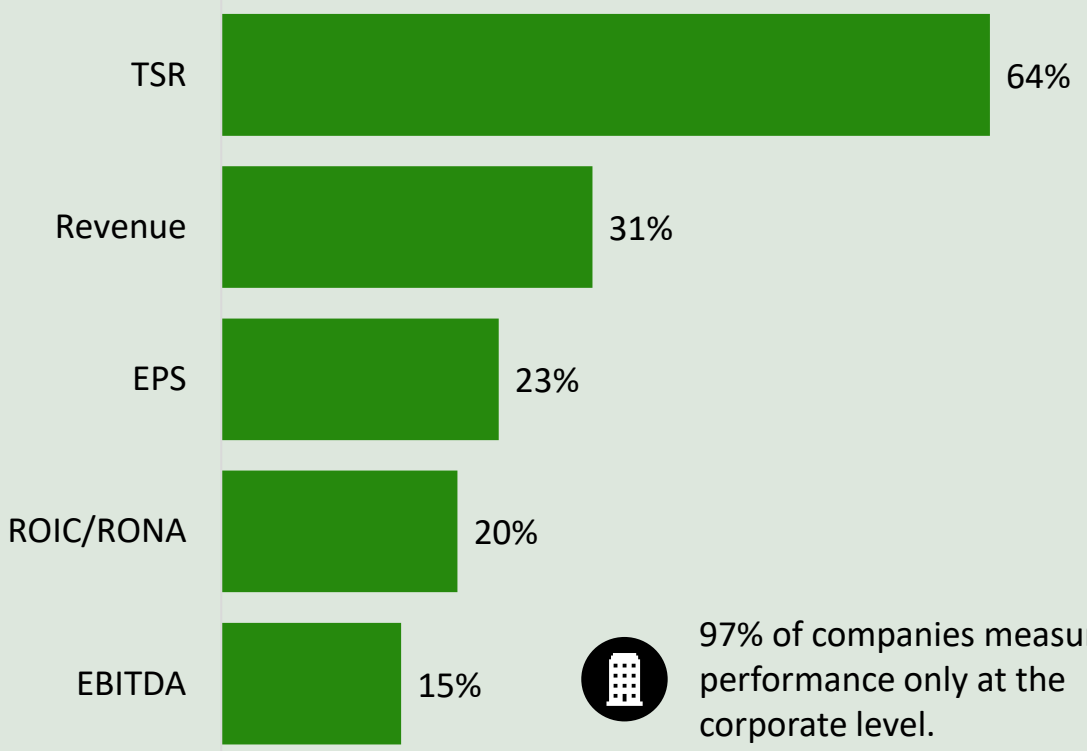
***Deloitte Insights**: Do employees understand the performance metrics behind their awards and potential payouts? How could enhanced transparency and communication around these metrics boost employee motivation and engagement throughout the performance period?*

Awards are typically subject to **two or more metrics**.



The most common length of the performance period is **three years**.

The three most utilized metrics are **total shareholder return**, **revenue**, and **earnings per share**.



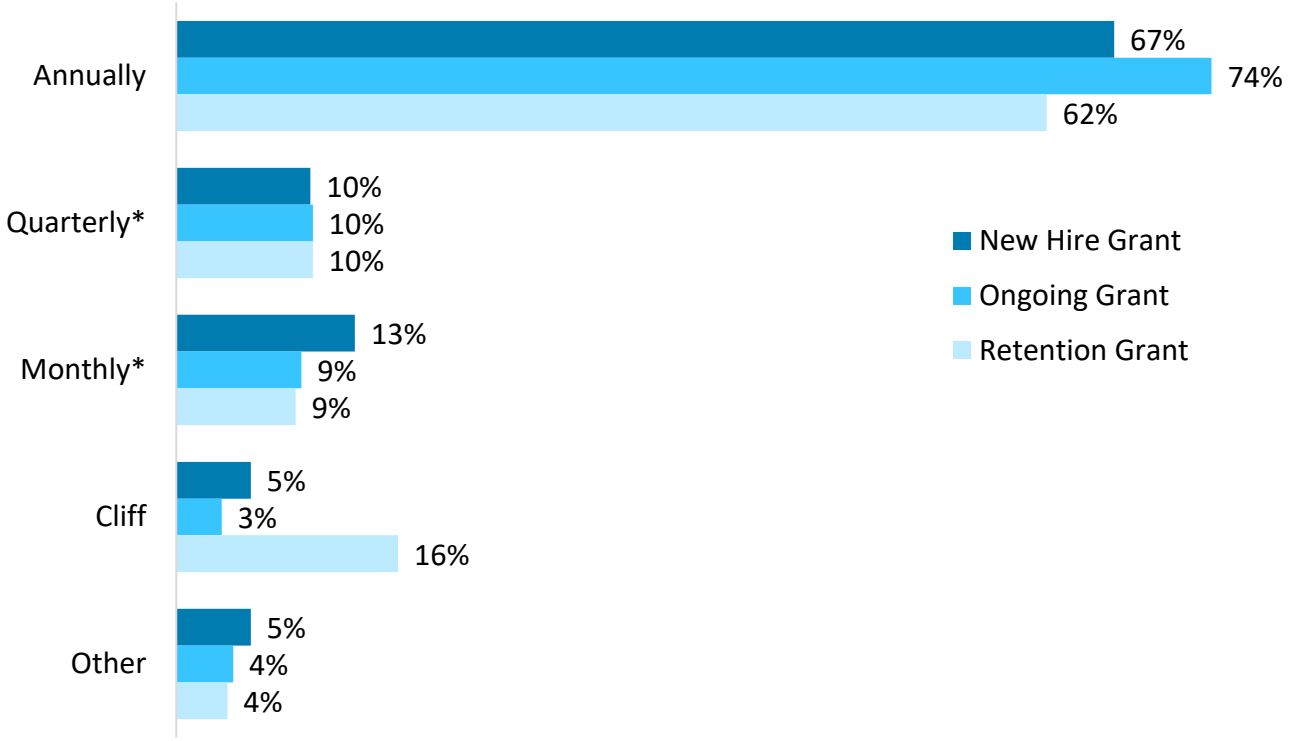
97% of companies measure performance only at the corporate level.

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Stock Options/SARs

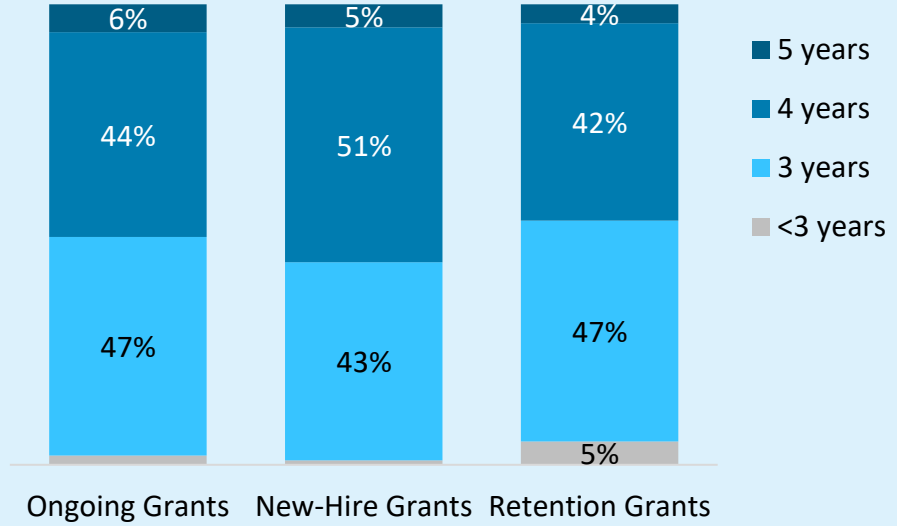
***Deloitte Insights**: Can companies better align vesting and design requirements with employee objectives? Could employee education evolve to enhance the employee experience and award ROI?*

Annual vesting is the predominant approach for time-based options/SARs, but approximately 20% of companies use more frequent vesting (monthly or quarterly). Companies are more likely to use a cliff vesting schedule for retention awards than for ongoing or new-hire awards.



* Some respondents include a one-year cliff period

Awards predominantly vest over a **three- or four-year period**.

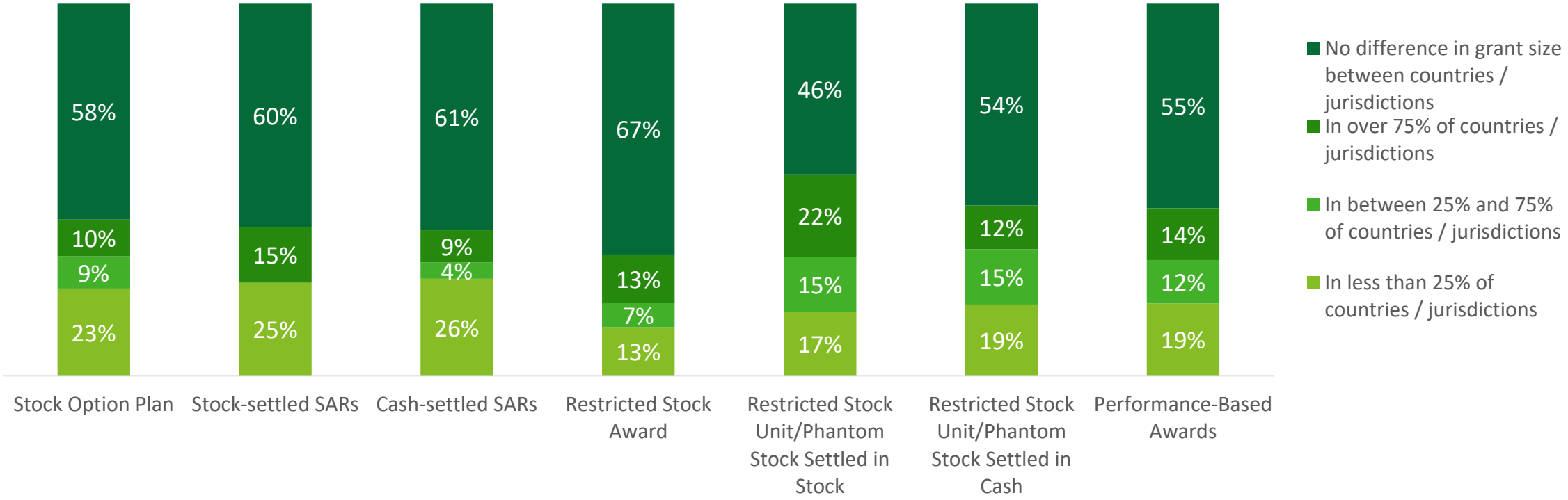


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Global Grant Sizes

***Deloitte Insights**: Approximately 50% of surveyed companies don't adjust grant sizes to reflect differences in labor costs between HQ and local countries. Does this present an opportunity to improve the efficiency and effectiveness of your company's stock plan investment?*

Respondents are split on adjusting grant sizes outside the headquarters country / jurisdiction across award types. The top 3 criteria used to adjust grant sizes are pay practices by jurisdiction, relative wage levels, and job description/levels.

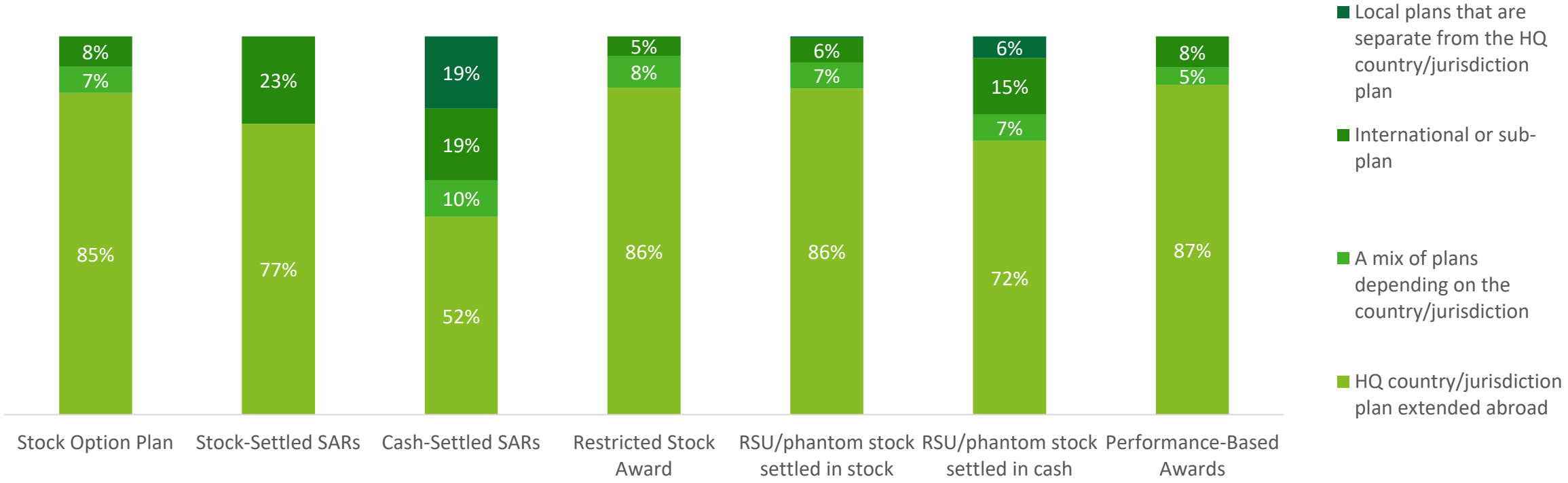


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Global Equity Plans

***Deloitte Insights**: While a single global plan can simplify administration, are companies potentially overlooking critical local country nuances that could significantly enhance value and engagement for participants?*

Most organizations use their headquarters' equity plan to grant awards outside of the headquarter country / jurisdiction and do not change the design of awards (e.g., vesting or forfeiture provisions) for grants made outside of the headquarter country / jurisdiction.



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