



SOS Educational Webcast: Do This, Not That: How Do Your Procedures Measure Up?

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Agenda

- What are Best Practices?
- Why do I care about Best Practices?
- Process and Procedure Reviews
- Software Systems
- Data and Compliance Audits
- Proactive Mindset
- Expertise
- Questions?

WHAT ARE BEST PRACTICES?

Definition of Best Practices

- Webster Dictionary defines best practices as “a procedure that has been shown by experience and research to produce optimal results and that is established or proposed as a standard suitable for widespread adoption”.

WHY DO I CARE ABOUT BEST PRACTICES?

Why Should Best Practices Be Included In Your Day to Day Administration?

- **Avoid:**
 - Re-statements
 - Tax complications
 - Securities Law infractions (US and non-US)
 - SOX non-compliance
- **Benefits:**
 - Support and maintain compliance
 - Mitigate risks
 - Improve efficiencies
 - Significant time savings



PROCESS AND PROCEDURE REVIEWS



Process and Procedure Reviews

- Schedule time to review your processes and update your procedures
 - Ramifications of outdated or non-existent documentation
- Focus on manual processes
 - Evaluate for risks and downstream impact
 - Timeliness of processing transactions
 - Regulatory issues or accounting errors and financial statement impact
 - Are there opportunities to automate?
 - Build your case
 - Review your crosschecks



Process and Procedure Reviews

- Cross functional collaboration
 - Periodic review of other departments requirements or needs
- Know your platform and pay attention to updates or enhancements
 - Updates may change your processes or be of great value
 - Be aware...sometimes updates lead to something else "breaking"
- Don't forget employee communications
 - Consider recurring questions to stock plan administration team
 - Keep an eye out for vendor communications and training/webinars that may be beneficial to participants



Process and Procedure Reviews

Best Practice – Schedule the time (force yourself) to review your process and procedures and check in with your business partners on their changing needs and requirements.



SOFTWARE SYSTEMS



Software Systems - Never Assume

- Do not assume that the system's reports are calculating what you believe they should be
- Do not assume that the report headings mean exactly what you think they do
- Do not assume that all Filters work on all reports
- Do not assume that the system's reports do not change

Best Practice - Regularly test your report findings in Excel

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Software Systems – More Testing

- Connected systems can make changes you are unaware of. These often show up first in import/export errors
- Data input errors in other systems can cause problems farther down the pipeline. Know what they are and watch your error reports for indications.

Best Practice - Test your Imports and Exports for Errors

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Software System Testing

- Make a regular schedule for testing your frequently used reports
- Read the Update Notices from your Software Company
- Don't count on those notices to cover ALL changes
- Create Excel templates for quick quarterly checks

Best Practice – Prove your system reports and data transfers are accurate and schedule periodic retesting.

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DATA AND COMPLIANCE AUDITS

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Data and Compliance Audits

- Review your audits periodically to ensure they are meeting your needs and continue to service the purpose you intended
 - Manual processes become automated
 - New issues or errors
 - Changes to Regulatory requirements or Tax Laws



Audit - Data

- Verification of Data: Are these numbers accurate?
 - Terminations - Missed or late notifications, termination date changes
 - Equity Granted – Grants agree to approval documentation, grant specific terms and conditions
 - Equity Released/Exercised – YTD totals and tax calculation differences
 - Account Information – Address changes, mobility, cost centers

Best Practice – Create and maintain a list of your routine data audits and review, add to or adjust whenever there is a change in processes or a new issue.



Audit - Tax Compliance

- US Tax Compliance
 - Annual Process Reviews
 - Tax Withholding Rate and Limit Changes
 - 6039 Reporting
 - Mobile Employees/Interstate Regulation

Best Practice – Set up a team with your HR, Payroll and Legal departments for an annual review of equity tax issues for US employees.

Audit - Tax Compliance

- International Tax Compliance
 - Annual Review
 - Tax withholding rate and YTD Limit Changes
 - Taxable Gain Calculations
 - Tax Reporting Scheduling
 - Mobile Employees

Best Practice – Set up a team with your International HR, Payroll and Legal departments for an annual review of equity tax issues for the employees in each country.

Audits – Security Law Compliance

- US Security Law
 - Stay well informed of US Security Law changes
 - Schedule periodic Plan reviews with Legal
 - International Employees
 - What types of equity can be granted?
 - What different tax treatments are possible depending on Plan Design?
 - What filings need to be made?

Best Practice – Create a team with Legal, HR and Payroll that can work together as you expand into each new country to set up Security Filings, Tax and Reporting requirements prior to the approval of the first in country grant or the expansion of ESPP.



PROACTIVE MINDSET



Proactive Mindset

- Is the Company looking to expand and if so, when and where if international?
- Do we have sufficient resources and/or automation for growth or increased administrative complexity?
- Does the Company have enough shares in the plans?
- Are the equity grants retentive/appropriate for the life stage of the Company?
- Do my employees value their equity? Do they really understand it?
- Engage in cost/benefit analysis approach...is it worth it?

Best Practice – Keep an eye on the future to avoid unpleasant surprises!



EXPERTISE



Expertise

- You are auditing data and assessing your best practices, but do you really know **everything** you are looking for?
- It takes a village:
 - Securities law filings (US and non-US)
 - Financial experts
 - Administrative experts
 - Tax experts
 - HR experts

Best Practice - Identify who you have available for your expert in each of these areas, US and International. If you are missing expertise in an area, get help from outside. Do not wait until AFTER a problem arises.

Questions?

Contact Information

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